

INSTITUTE

Key Addresses

NZPI Head Office

Conor English (04) 384 7094 national@propenvorg.nz

Northland Branch

Nigel Kenny

(09) 438 5139

kennyskenny@xtra.co.nz

Auckland Branch

Tony McEwan

(09) 486 1661

tong@sheldons.co.nz

Waikato Branch

Graham Cook

(07) 834 9678

cookGA.z.oDm

Rotorua/Taupo

Paul Smith

(07) 348 4159

Paul@mcdowell.co.nz

Tauranga

Phil Pennycuik

(07) 571 8342

proval@xtra.xo.nz

Gisborne Branch

Gordon Kelso

(06) 867 9339

lewis.wright@xtra.co.nz

Hawkes Bay Branch

Tom Remmerswaal

(06) 877 1515

ton@valuationplus.co.nz

Taranaki Branch

Andrew Hopkirk

(06) 757 5080

andrew.hol2kirk@opus.co.nz

Wanganui Sub Branch

Ken Pawson

(06) 347 8448

morganval.wang@clear.net.nz

Manawatu Branch

Ian Shipman

(06) 323 1447

morganval.fidg@clear.net.nz

Wellington Branch

Richard Findlay

(04) 470 3926

richard_findlay@cj_group.com

Nelson/Marlborough Branch

Blue Hancock

(03) 546 3350

blue.hancock@quotable.co.nz

Canterbury/Westland Branch

Victoria Murdoch

(03) 371 1053

victoria.murdoch@ccc.govt.nz

South and Mid Canterbury Branch

Rodney Potts

(03) 688 4084

Reid.Wilson@timaru.co.nz

Otago Branch

Ah-Lek Tay

(03) 477 6603

barlowjustice@clear.net.nz

Southland Branch

Trevor Thayer

(03) 218 4299

ttval@southnet.co.nz

CONTENTS

5

EDITORIAL

MEASUREMENT AND QUANTIFICATION OF OBSOLESCENCE:
ECONOMIC OBSOLESCENCE Michael J Remsha

LEASE LENGTH AND THE CARE OF PROPERTIES Patrick Rowland

PUBLIC BODY LEASES AND VALUATIONS Ced Croft

MANAGEMENT STRATEGIES AND COMPETITIVE ADVANTAGE WITHIN NEW
ZEALAND'S LAND-BASED INDUSTRIES Keith Woodford

EQUITY PARTNERSHIPS IN FARMING Phil Handford

FUTURE OWNERSHIP OPTIONS Peter Glassford

THE ETHICAL PERSPECTIVE OF NEW ZEALAND'S REGISTERED
VALUERS Richard W Hoyt, Michael J Wright, Cedric S Croft

THE TRAINING PLAN: HOW EMPLOYEES CAN KEEP UP WITH THE
DYNAMICS OF FACILITY MANAGEMENT Agnita D Korsten

SECURITIES ACT (CONTRIBUTING MORTGAGE REGULATIONS 1998)

AUDIT OF NEW ZEALAND PROPERTY INSTITUTE CPD POINTS

STATSCOM

PROFESSIONAL DIRECTORY

Submitting articles to the NZPI Property Journal

Notes for Submitted works

Each article considered for publication will be judged upon its worth to the membership and profession. The Editor reserves the right to accept, modify or decline any article. Any manuscript may be assigned anonymously for review by one or more referees. Views expressed by the editor and contributors are not necessarily endorsed by NZPI.

Deadline for contributions is not later than the January 10, May 10 and September 10 of each year.

Format for Contributions

All manuscripts for publishing are to be submitted in hard copy typed double-spaced on one side only of A4 sized paper and also in Microsoft Word document format on IBM compatible 3.5" disk or alternatively emailed to head office.

Any photographs, diagrams and illustrations intended to be published with an article, must be submitted with the hardcopy. A table of values used to generate graphs must be included to ensure accurate representation. Illustrations should be identified as Figure 1, 2 etc.

A brief (maximum 60 words) profile of the author; a synopsis of the article and a glossy recent photograph of the author should accompany each article.

Manuscripts are to be no longer than 5000 words, or equivalent, including photographs, diagrams, tables, graphs and similar material.

Articles and correspondence for the NZPI Property journal may be submitted to the editor at the following address: The Editor, NZPI Property Journal, PO Box 2 7-340, Wellington.

Copyright is held by the author(s). Persons wishing to reproduce an article or any part thereof, should obtain the author's permission. Where an article is reproduced in part or full, reference to this publication should be given.

REFEREE PANEL

Prof John Kit it

Prof 'lots Bind

Prof Bob I Lu i a

Prof Ken I_rtht ,

Prof IVilliant Mc(lu .L

Associate Prof Yu ^hi Ni ni i

Prof Gracme Nets 11

INSTITUTE

NZPI JOBmail

A weekly service to all
members advertising
jobs available in the
property profession.

[www property.org.nz](http://www.property.org.nz)

EDITORIAL

Where you work is now not where you go, rather it is where you are at. This is a massive change in the way that many people operate.

Some occupations, of course, have always been where you are at. Emergency services, stock agents, commercial real estate agents etc are often required to be available 24/7. However, with technology and the other changes taking place in society, this "where you are at" work dynamic is affecting more and more people. This, in turn, affects the environment and professionals who operate within that environment. This requires an increased level of learning if we are to keep pace and provide increasing value to clients.

In this edition of the NZPI Journal we look at two examples of learning, from the US and New Zealand. What is clear from these papers, relating to facilities management and the primary sector, is that it is important to have a plan and a structure to learn, and secondly, an attitude and a passion to learn.

Property takes many forms. As the market changes there are many innovative ways in which the asset class of property can be packaged into different investment vehicles. We look at various ownership options equity partnerships in farming the financing of property and touch on some issues regarding the Securities Act. Obsolescence plays an important part in any asset and we look at ways of measuring this as well.

Leasing is a vital part of property. We touch on the issues of the lease length and how that affects values, along with public body leases and valuations.

Finally, underpinning all this is the ethics of a profession. Recent scandals highlighted by the collapse of Enron in the United States have made transparent what may for some have become common practice. The courts and authorities are now examining the ethics of such practices. The short-term outcome of this has been the destruction of enormous shareholder value, confidence in the market, and the end of the line for several organisations, and those who served them unethically.

Ethics underpins any profession. If we are to have a vibrant property sector, which attracts capital and provides stimulation and rewarding careers, it is vital that those involved in the property sector conduct themselves accordingly. It is for this reason that the institute has run a number of ethics modules around the country, which have been well received.

The challenges on ethics have seen some interesting changes take place among the standard setting bodies and regulators around the globe. The institute has been ahead of the play through its efforts over the past two years in integrating its standards with the Australians and, in turn, international standards and accounting standards. Along with upgraded disciplinary processes and transparency, this should help give customers of our members confidence that we are an ethical profession and provide good value for money.

As this is the final edition for 2002, on behalf of the institute, I would like to wish all members and their families an exceptionally happy Christmas and a interesting and prosperous new year.

Conor English
Editor
New Zealand *Property* journal

Why become a member of NZPI?

NZPI's primary objective is to represent the interests of the property profession in New Zealand.

The New Zealand Property Institute:

- Promotes a Code of Ethical Conduct
- Provides Registration – the formal recognition of experience and certified qualification of excellence
- Provides networking opportunities
- Assists in forming professional partnerships
- Provides a marketing tool in the approach to new and existing clients
- Provides The PROPERTY Business 6 times a year in partnership with AGM Publishing
- Distributes national NZPI newsletters and email updates
- Delivers a National and Branch CPD programme
- Offers membership with the International Facility Management Association (IFMA)
- Offers other international linkages
- Offers networking opportunities between the profession and the universities through the NZPI "Buddy Programme".
- Promotes annual NZPI Industry and Student Awards
- Delivers an annual NZPI Conference
- Offers links and information through the NZPI website www.property.org.nz
- Provides regular branch breakfast and lunch seminars
- Promotes the annual Property Ball in partnership with the Property Council.
- Provides NZPI Confidence index and NZPI JobMail.

For more information on our services to members contact the

NZPI National Office: Anthony Robertson PRESIDENT
Peter Noonan DIRECTOR
Gary Sellars DIRECTOR
John Church DIRECTOR
Gerard Logan DIRECTOR
Chris Seagar DIRECTOR
Mark Sigglekow DIRECTOR
Conor English CEO

Westbrook House • 181-183 Willis St • PO Box 27-340 • Wellington
New Zealand • Telephone 64-4-384 7094 • Fax 64-4-384 8473
[wwwproperty.org.nz](http://www.property.org.nz) • Email: conor@propertyorg.nz

Measurement and quantification of obsolescence: Economic obsolescence

Overview

No one ever said being an appraiser was easy. It takes years of training, experience, and hard work to be able to investigate an industry, analyse market data, and derive economic obsolescence.

Economic obsolescence, also referred to as external obsolescence, is the loss in value resulting from influences external to the property itself. External conditions causing economic obsolescence may be international, national, industry-based, or local in origin. Various external factors affect potential economic returns, thus having a direct impact on the market value of an asset or property.

To determine if economic obsolescence (EO) is present, a review must be made of the economics of the subject property and the industry it competes in, as of a point in time - the appraisal date. This review can be made by examining the earnings history of the subject property and any local or other influences that may affect the economic performance of the subject and its assets.

For typical real estate, especially small generic properties, the effects of local market conditions can be important. Zoning, the local economy, unemployment, and industry factors can affect the value of real estate. Larger real estate properties may not be affected by local economics as significantly, but can be affected by the regional, national, and even the global economy.

Major properties that typically include real estate and significant other capital assets, and going concern influences (business values such as tangible and intangible assets and working capital) can be affected by local economic factors, but usually are more significantly affected by industrywide economic conditions.

Industry economic conditions affect all aspects of a business, and many assets commonly appraised are businesses, not just real estate or machinery and equipment. Typical properties that can be considered in this category include cement plants, steel mills, paper mills, petrochemical and chemical plants, and

other processing plants; extractive industries such as oil and gas production or mining; and any other assemblies of assets that compete in a specific industry.

Typical data that can be used to review the economics of an industry include annual stockholder reports of companies in the industry, 10K reports to the Securities and Exchange Commission, industry publications discussing product and raw material price changes, investment banking and brokerage reports, and government studies. By using these data, the appraiser can determine if the earnings in the industry, and hence the subject property, have been, are currently, or will be affected by some outside economic influence that will reduce earnings and, therefore, the value of the business and its assets.

Of course, if certain assets in the plant or in the industry are generic such that they could be used by other industries, the EO of the current user may not be appropriate for that specific asset. For example, EO in the typewriter industry may be significant, but the real estate associated with the typewriter plant could be used by many different users. Therefore, it would be appropriate to apply the EO penalty to the machinery and equipment used to manufacture typewriters, but not to the buildings. The appraiser must practice careful analysis.

The first step in quantifying EO is to investigate the existence of economic conditions that may reduce the value of a business and, hence, its assets. Then, after researching any reasons for EO, it must be quantified in an objective manner. EO may exist in any industry or property where the following attributes are found:

- Reduced demand for the company's products
- Overcapacity in the industry
- Dislocation of raw material supplies
- Increasing cost of raw materials, labor, utilities, or transportation, while the selling price of the product remains fixed or increases at a much lower rate
- Government regulations that require capital expenditures to be made with little or no return on the new investment

- Environmental considerations that require capital expenditures to be made with little or no return on the new investment

EO is present when better economic opportunities exist for an investment. The economic principles of supply and demand, and competition drive the loss of value associated with economic obsolescence. Typically, EO cannot be reduced by capital investments, but it can change and even decline to zero through changing industry conditions.

Quantification

EO can be quantified using several different methods. Each method will not be applicable in every valuation problem. The appropriate method will depend on the availability of the data available to review and the type of asset being valued. The methods discussed are as follows:

- Market-derived approach
- Income approach
- Utilisation analysis
- Return-on-capital analysis •
- Equity-to-book ratio analysis •
- Gross margin analysis
- Government regulations •
- Income shortfall
- Best of the best

Details of the above methods are provided in the following sections.

Market-derived approach

Several techniques can be investigated to quantify the effects of EO. A very simple and direct approach is to derive EO from the market by reviewing sales of similar properties. This is especially useful for real estate where similar properties are available in the local or regional market and sufficient information is available on properties that have sold. In this approach, the following steps are applied:

Step 1: Deduct land value from the sale price of the property that sold; the result is the value of only non-land assets. Because EO is an attribute of the cost approach and land is typically valued using the sales comparison approach, the land value is removed from the analysis.

Step 2: Develop the current cost new of non-land assets

Step 3: Calculate all depreciation and obsolescence, except EO, and deduct from the current cost new of non-land assets

Step 4: Deduct the adjusted sale price (Step 1) from the current cost new less depreciation and obsolescence (Step 3)

The result is an indicator of EO based on a market transaction, a sale of a similar property. This approach can be used to calculate EO as a dollar amount, or as a percentage of the cost of reproduction new (CRN), cost of replacement (COR), or even the cost of replacement less physical depreciation (CORLD). An example follows:

Sale price of similar Property	\$1,000,000
Less value of land	<u>200,000</u>
Sale price of non-land assets	800,000
Cost indicator of value of property sold	
COR	1,500,000
Less physical depreciation	<u>500,000</u>
CORLD	1,000,000
Less functional obsolescence	<u>0</u>
Cost indicator of value before EO	1,000,000
Less sale Price of non-land assets	<u>800,000</u>
Indicated EO	\$200,000
or as percent of CORLD	20%

Hence, based on the above, EO is \$200,000 or 13% of the COR or 20% of the CDRLD. The dollar amount of EO is the same, but the percent will vary depending on how it is measured and how it is to be used. Several sales should be reviewed in the analysis to develop a market-derived conclusion. Preferably, the sales should be similar in age and location to the subject, and have little or no functional obsolescence (one less item to analyse], if possible. Sometimes this is not possible, but an attempt should be made to locate comparables that have similar economic factors as the subject. Also, if the calculated EO is based on a percentage of CORLD, then the deduction for EO must be taken before the deduction of any dollar amount for functional obsolescence, when applied to the subject property. Percentage deductions must always be deducted first, dollar deductions last.

Income approach

A common valuation technique used by the financial community is simply to develop the income indicator of value for the property being appraised. The income approach quantifies all forms of depreciation and obsolescence - physical, functional, and economic. However, when quantifying depreciation and obsolescence through use of the income approach, EO cannot be separately delineated in the analysis without relying on the cost approach.

A modification of this approach is to develop all aspects of the cost approach, with the exception of EO, as in the market-derived approach previously discussed, then subtract the income indicator of value from the partially completed cost approach; the difference is EO.

The primary problem with this approach is that the result is really just one approach to value, the income approach. As a general rule, using this technique, the cost approach to value will always equal the income approach to value. Although EO has been developed, it is totally dependent on the basic assumptions of the income approach. An example, based on the previous example in the market-derived approach, follows:

Income indicator of value	\$1,100,000
Less value of land	<u>200,000</u>
Income indicator the non-land assets	900,000

Cost indicator of value before EO	1,000,000
Less income indicator of value of non-land assets	<u>900,000</u>
Indicated EO	\$ 100,000

Hence, based on the above, EO is \$100,000. If the income indicator of value were to change based on a different set of projections or even a different discount rate, the dollar amount of EO also would subsequently change.

Utilisation analysis

Other totally independent procedures are available to quantify the effects of EO. One simple approach is to review the asset's utilisation. If the asset is being utilized at less than 100% or whatever is the norm for the industry, then EO exists because demand available in the industry is substantially less than the available supply. Mathematically, this is based on the relationship whereby EO equals actual utilised capacity (demand] divided by maximum capacity (supply) with the result taken to an exponent (scale factor), subtracted from 1.

The scale factor is a relationship of cost to capacity, which reflects the concept that as capacity increases, the cost of construction increases at a different rate, typically a slower rate. Typical scale factors are 0.6 to 0.7, based on data published in engineering and construction texts.

The typewriter industry will be used as an example of this type of calculation. Because of the use of personal computers, demand for typewriters has been greatly reduced. While the manufacturing supply potential is still in place, the demand is not. Let's say the machinery and equipment at the plant has the capacity (supply] to manufacture 100,000 units per year, but demand is for only 1000 units per year. The magnitude of EO in the industry and in the assets located at the plant is calculated as follows:

$$\begin{aligned} \text{EO} &= 1 - (\text{Demand} \div \text{Capacity}]^{0.7} \\ &= 1 - (1,000 \div 100,000)^{0.7} \\ &= 1 - 0.01^{0.7} \\ &= 96\% \end{aligned}$$

Note: To convert the 96% figure into a dollar amount, it can be multiplied by the CRN, COR, or CORLD. Because percentage deductions are always deducted before dollar deductions, the order of the mathematical calculation is not important; the result will be the same (the associative principle of algebra].

The company that makes the typewriters has some income from production of the product, but the machinery and equipment is severely underutilised and, hence, exhibits a high level of EO, 96%. The market for typewriters has been replaced due to a new form of office equipment, personal computers.

Some unenlightened practitioners may argue that EO cannot exist if capacity at the subject or in the industry is nearly or fully used. This is not always true. It can only be true if earnings in the industry can support the capital investment at a market-based rate

of return. If utilisation is at 100%, but the industry (including the subject) is only breaking even or losing money, then EO is strongly indicated. Utilisation can be at what is considered the norm in the industry because of economic influences outside the property, such as high consumer demand, but have low levels of profitability because of competition or some other outside influence on the subject property.

An example would be any industry competing with foreign companies where raw materials or operating expenses are less when compared with the United States. If a US plant has a maximum capacity of 100,000 units per year and demand for its products is high, the plant's output can still be 100,000 units per year. But because of imports from overseas, the price (ie, value) received for the products produced may just cover expenses; therefore, earnings are low or negative, and the return on the investments in the business are reduced. The magnitude of EO in the industry based only on utilisation (with a blindfold on] is "calculated" to be zero. Of course, this is incorrect.

As can be seen in the example above, the company has low or negative earnings from the manufacture of a product, yet the equipment is utilised at 100%. The plant is likely experiencing financial difficulties because of reduced earnings caused by competition; hence, EO exists and must be quantified using an earnings-related approach. The practitioner can't just plug numbers into formulas to calculate a number and call it EO. Thoughtful, reasoned analysis is required. Several questions must be investigated and answered: Are expected earnings reasonable for the plant? How do plant earnings compare to the industry? How do plant and industry earnings compare to those in other alternative investments?

If a plant is new and "state-of-the-art," it still can exhibit EO. For example, if a plant was built to manufacture a product, and because government regulations change or consumer preferences change, the demand for the product or maybe even the primary raw material disappears, EO for the plant and the industry could suddenly be 100%, and the plant would shut down. This could happen today in the MTBE (a blendstock used in reformulated gasoline) industry if the US government follows the lead of California and bans the use of MTBE in gasoline in the entire country. The MTBE plants would have the option of shutting down or maybe, if even possible, spending capital to modify the plant to produce another product. EO can be sudden and significant, especially if a government body is involved.

Return-on-capital analysis

Another approach to quantifying EO is a return-on-capital (or investment] analysis. In the return-on-capital analysis, the relationship of earnings is compared to the magnitude of investment used to generate those earnings.

A simple and direct approach to apply the return-

on-capital analysis is to review the relationships of publicly traded companies in the same or a similar line of business as the subject property as of the appraisal date to a benchmark to determine if EO exists and at what level. One method is to investigate the percent earned on total capital (return on capital) for the year prior to the appraisal date to a point in time (one year], or over several years when the percent earned on total capital was higher (ie, the good old days of more reasonable returns).

A convenient publication to utilise in this analysis is Value Line Investment Survey (Value Line). Value Line publishes a significant amount of current and historical financial data on thousands of publicly traded stocks on a continuous basis. One of the components of a Value Line analysis is percent earned on total capital.

Value Line defines percent earned on total capital as "a company's return on its stockholders' equity and long-term debt obligations". As defined in the financial community, the summation of long-term debt and stockholders' equity represents the total invested capital of a business or the business enterprise. When the economics of the industry are good, the return on capital will be high; when poor, low Hence, a return-on-capital analysis is a meaningful indicator of economic obsolescence.

To develop an example analysis, returns for a typical industry were reviewed based on data published in Value Line. A review follows based on Value Line type data for a sample industry.

Company	Five-Year Mean Current Data	
	1990-1995(%)	(%)
Algoma industries	14.7	10.1
Kewaunee Industries	12.6	8.7
Manitowoc Mfg	11.0	7.1
Menomonee Cos.	10.9	12.1
Okauchee Services	8.3	8.0
Sheboygan Industries	11.1	10.1
Waukesha Mfg	9.1	6.1
Low	8.3	6.1
High	14.7	12.1
Median	11.0	8.7
Mean	11.1	8.9
Conclude	11.0	9.0

$$\text{Economic Obsolescence} = \frac{11.0 - 9.0}{11.0} = \frac{2.0}{11.0} = 18\%$$

Accordingly, based on the return-on-capital analysis, the economic penalty, or EO, on assets in the sample industry is 18%. This is a meaningful indicator of EO when the practitioner can identify companies followed by Value Line that are in an industry similar to the subject property and have a minimal amount of diversification. For example, if the

subject property were an oil refinery, several companies followed by Value Line would be considered good comparables because they are primarily oil refining companies with few other assets in other sectors of the oil and gas industry, or other industries. In other words, the economics of the subject property would be influenced by the same or similar economic factors as the comparable companies.

After finding the comparable companies, the second step is to study the history of the industry to find a period of time when the return on capital was good (ie, the good old days]. For the oil refining industry, this can be identified as the late 1970s, and 1988, the years before supply and demand disruptions and expensive environmental government regulations.

If the subject property were a single tissue (paper) mill, this approach may not be as meaningful because Value Line does not track any companies that own just tissue mills. All the paper industry companies followed are diversified and, hence, may experience different economic factors than the subject. The practitioner must study the subject property economics and locate companies to be used as comparables that are as similar as possible to the subject. Of course, no comparable will be perfect. The goal is to locate comparables that are in a similar economic environment.

Equity-to-book ratio analysis

Another method for determining EO present in an industry is to analyse investors' perceptions of investment in that industry using common stock (equity) prices.

Indicative of investors' perception of the obsolescence present in the investment is the ratio of price paid for common stock relative to its book value. Book value of the stock relates to the original capital contributed to the firm in exchange for the stock plus retained earnings which have accumulated since the initial investment. From a legal perspective, stockholders own the firm in which they have invested. From an investor's viewpoint, stock ownership is considered to represent a net ownership position in the firm's assets. At any point in time, if the total value of all assets is considered and all liabilities are deducted, the net amount is representative of the total value of the common stock or the value of the common equity in the firm. Thus, an investor purchasing shares of common stock is making a decision on the value of the total assets.

Book value of common stocks of publicly held companies is calculated with reasonable consistency for most publicly traded companies due to accounting regulations. The regulations involve not only the general methodology used in the calculations, but also regulate the type of data available to investors. Because of the consistency of reporting, the book values are useful as a benchmark for certain types of measurements. However, book values will not

specifically represent fair market value of the assets, primarily because they are based on historical costs.

To estimate EO affecting assets in a sample industry, information in Standard and Poor's (S&P) analyst's handbook was analysed for a sample industry's stock, on a per-share basis. The information represents indices that are based on stock prices (the annual high and low are reported) and also an index for the industry book value (one number is reported).

For baseline comparison purposes, the same information is available on a group of industrial companies known as the S&P 500 (Industrials]. The S&P Industrial sector represents the S&P 500 after removing any non-industrial stock. Comparisons of stock price and book value are possible based on these annual data for the subject industry and also for the benchmark industrials. Similar data is also available through Value Line Investment Survey. To calculate the equity-to-book ratio for this study, the mean common stock price is divided by the book value per share as published in the analyst's handbook. The analysis follows:

	S&P indexes	Per share
	Industrials	Sample industry
Book value	168	210
Stock prices		
High	888	821
Low	709	652
Mean	799	737
Stock price/book value	4.8	3.5

$$\text{Economic Obsolescence} = \frac{4.8 - 3.5}{4.8} = \frac{1.3}{4.8} = 27\%$$

The above relationship is indicative of investors' relative valuation of the sample industry assets when compared with general industrial stocks. Owners of general industrial stocks appear willing to pay about 27% more for such stocks than they would pay for stock in the sample industry, based on the equity-to-book-value ratio. By this method, EO of 27% is indicated. To the extent that EO exists in the general industrial companies used in this analysis, the EO conclusion for the sample industry is somewhat understated.

Gross Margin Analysis

Another method that can be used to quantify EO is through the study of plant or industry returns by comparing gross (profit) margins over time. The gross margin is simply a plant's revenues less its cost of raw materials. Revenues can be measured by multiplying the number of units produced by the value of those units in the market. The cost of raw materials can be developed in a similar manner. For a plant that is

being appraised, information should be available by reviewing the last five to ten years of the plant's financial data.

This analysis is typically developed on a unit-of-production basis (dollars per pound of production, or dollars per barrel of throughput (inputs to the plant, for example). If gross margins have been declining or are currently just lower than in the past, EO may be present even if utilisation is high. Of course, if EO does exist, then the industry must first be analysed to find the reasons for the obsolescence.

Typical reasons could be an overcapacity of products available that are driving prices down, an increase in the cost of raw materials caused by a shortage in the market, or maybe just "cut-throat" competition. Remember, EO is commonly caused by supply and demand problems, and competition. If the gross margins are lower than in the past, EO can be measured using the following technique:

Past gross margins \$2.00 per unit
Current gross margins \$1.00 per unit

$$\text{EO} = \frac{\text{past gross margins} - \text{current gross margins}}{\text{past gross margins}}$$

$$= \frac{\$2.00 - \$1.00}{\$2.00} = 50\%$$

Generally EO is considered to be incurable, as typically, investments cannot be made to make it go away. But it can change and even decline to zero if industry economics change. If a competitor's plant suddenly goes out of business, a shortage of products may occur. When demand is constant, and supply goes down, economic theory says that prices will tend to increase. When prices increase for the products produced, revenues will go up for the plant. EO may be reduced or even disappear until a new plant is built to increase supply, or imports arrive from other parts of the country or from foreign countries.

Government regulations

One cause of EO is government regulations. For much of the 20th century, state and federal governments structured public utilities' earnings on the investment in the tangible assets used to serve the public in a monopoly situation. Because the public utilities were allowed to have a monopoly, the government wanted to protect the public by controlling the utilities' earnings. This was done through "rate base" regulation.

Rate base is the original cost of the assets being used to serve the public less allowed (rate base) depreciation. The public utilities would supply the government body information, which is created using unique utility accounting practices for this purpose. The government would permit a certain allowed return on this investment, the rate base, based on actual costs of debt and a market-based allowed return on equity.

If the utility earned the allowed amount, good; if the utility earned less, too bad (poor management?).

If the utility earned too much, the excess earnings had to be returned to the rate payers through a rate adjustment. If the utility thought earnings should be higher, they had to file a request (rate case) to have their allowed return increased. If the rate case took too long to come before the review board and equity returns were rising, a level of EO resulted from the regulatory lag (ie, the allowed rate of return was not permitted to be increased fast enough, and the utility was not being given the opportunity to earn its rate base at current market rates). This can be measured as follows:

Allowed return	10%
Current market return	13%

$$EO = \frac{\text{Current market return} - \text{Allowed return}}{\text{Current market return}}$$

$$\frac{13\% - 10\%}{13\%} = \frac{3\%}{13\%} = 23\%$$

This means, because of regulatory lag (bureaucracy), the utility is not able to earn at market rates, and therefore, the owners of the utility must accept a lower level of earnings. This loss of earnings is a form of EO that reduces the value of the utility's property.

Another form of government-caused EO is rent controls. In certain areas of the United States, rent in apartment buildings is controlled by the local government. The intention is to provide affordable housing for existing tenants. While the market may be changing the market rental rates of apartments in an area (generally increasing with inflation), local government laws sometimes prevent landlords from increasing rental rates. This is a form of regulation that causes EO as seen in a reduction in the value of the property. An example follows:

Current allowed rental rate	\$500 per month
Current market rental rate	\$1,000 per month

$$EO = \frac{\text{Current market rental rate} - \text{Current allowed rental rate}}{\text{Current market rental rate}}$$

$$\frac{\$1,000 - \$500}{\$1,000} = \frac{\$500}{\$1,000} = 50\%$$

Again, because of local government controls, EO exists, and the value of the property is reduced. Consider the position of a potential buyer. If a potential buyer knows that the earnings will be reduced by local government rent controls, will a purchase offer be based on the property's earnings limited by local regulations, or on current market rental rates that do not apply to the property? Of course, the prudent investor will base the offer to purchase on the property's permitted earnings, not on market earnings that do not apply! Rent

controls reduce the value of a property because earnings are controlled, reduced. That's economic obsolescence.

Another form of government-regulation-based EO is the lack of return on investments made for pollution control equipment or mandated environmental remediation. The Clean Air Act of 1990 Amendment required many heavy industries to invest in pollution-control-related equipment that did not increase the capacity of the plant or make the plant more profitable. In fact, in many cases, the new equipment actually increased operating expenses through higher labour requirements and more energy consumption, hence reducing earnings.

The plants had two choices: to invest in the pollution control equipment, or to shut down. The investment is considered a necessary capital expenditure or a form of curable functional obsolescence, and the resulting reduction on the return on investment, a form of EO.

Government regulations constantly require industry to make new investments in their plants. When the required investments do not generate income, EO is the result.

Income shortfall analysis

Another indicator of EO is an income shortfall. This approach is similar to the regulatory lag or rent control techniques except that the income shortfall is caused by "the market."

For example, suppose the subject property was in an industry that was very competitive. The property being appraised has made large investments to modernise and meet environmental requirements, and essentially to invest in long-term future operations. Because of supply and demand economics, and competition, earnings are not available to support the investment in the plant assets. The plant had the option of investing in the new environmental equipment or shutting down. EO exists because the earnings generated by the plant do not support the level of investment made in the plant. An example of the earnings shortfall method follow:

Required return on investment	15%
Current return on investment	10%

$$EO = \frac{\text{Required return on investment} - \text{Current return on investment}}{\text{Required return on investment}}$$

$$EO = \frac{15\% - 10\%}{15\%} = \frac{5\%}{15\%} = 33\%$$

Another way to calculate EO caused by an income shortfall is to calculate the differential in earnings. An example follows:

Current investment	\$1,000,000	
Current income	\$100,000	
Calculated return	$\frac{\text{Current income}}{\text{Current investment}}$	= 10%

Projected investment \$1,500,000
 Projected income \$ 100,000

Projected return $\frac{\text{Projected Income}}{\text{Projected investment}} = 7\%$

Economic Obsolescence = $\frac{10\% - 7\%}{10\%} = 30\%$

This income shortfall calculation of EO is very similar to the first calculation in which the required and current returns were known. In the example above, the returns are calculated based on the investment in the property and the return received or projected after a new investment is made that provided no additional income. The result is similar: EO exists and is significant.

Best of the best

The Best of the best technique was derived by Lionel Thatcher, Professor of business and economics at the University of Wisconsin, and Richard Dubielzig, director of the utilities tax division of the Wisconsin Department of Taxation in the 1960s. This method of quantifying EO involves selecting several economic performance indicators, such as rate of return, gross or net margins, utilisation among others, for comparison against the subject. Three steps are used as follows:

- Step 1: Select the best economic performance indicators of the comparable properties or companies
- Step 2: Compare the subject property's indicators against the best indicators in the market to obtain a relationship to the standard or the Best of the best
- Step 3: Calculate the subject's average relationship to the standard and subtract from 1 to develop an opinion of EO.

The above method was commonly used in the valuation of railroads for property tax purposes. A simple example follows:

Economic Performance Indicator	Subject Property (%)	Best of the Best (%)	Subject/Best (%)
Rate of return	6	10	60
Net margin	2	3	67
Utilisation	75	90	83
Average			70

Using the 70% indicator of the subjects' relationship to the Best of the best results in an EO indicator of 30% (1%-70%). This method could be applied to any subject or industry where reliable economic performance data are available for similar properties in the industry. The primary problem with this method is obtaining reliable economic performance data.

Entrepreneurial profit

Entrepreneurial profit is the anticipated profit an investor requires to construct and sell a property. It is a

reward to the entrepreneur for the inherent risks of investing time and money in the construction of a property.

Entrepreneurial profit must be market based; it's not automatic. The market will not automatically reward an entrepreneur for hard work and risky investments. Most likely, this type of profit will exist in generic industrial, commercial, and residual properties in an expanding market where demand is greater than supply. It will not exist in unique or special-purpose properties that are built by users and are not for sale in the general marketplace. Of course, if EO exists, entrepreneurial profit is negative. Both cannot exist at the same time (ie, both cannot be positive).

The lack of new construction is generally an indicator that EO may exist. However, EO can exist in the presence of new construction. Sometimes, a large corporation will replace an old (functionally] obsolete plant with a new, modern, state-of-the-art plant to reduce operating costs and create a stronger presence in the industry. While EO still exists in the industry, which reduces the earnings of the company, the reduced operating expenses resulting from a new plant will make it a stronger participant in the industry and potentially even help to drive out the competition. This may reduce and even eliminate some of the competition and, also, reduce or eliminate EO.

Summary

Economic obsolescence is present when better economic opportunities exist for an investment. When a government entity steps in and attempts to control the market through regulations, economic obsolescence is created externally to reduce the value of assets. The loss of value associated with economic obsolescence also is caused by the economic principles of supply and demand, and competition.

Economic obsolescence typically cannot be reduced by capital investments, but it can change, and even decline to zero through changing industry conditions.

An enlightened appraiser will investigate the existence of economic obsolescence and quantify it based on market indicators. Ideally, more than one indicator will be utilised and correlated to conclude its magnitude.

This text discusses several procedures that can be used to quantify the effects of economic obsolescence. These procedures will not apply to every property or industry, and other more appropriate indicators may apply. The appraiser must study the subject property and its industry, as appropriate, to determine if economic obsolescence exists, and if it does, how to measure it. Careful analysis and study are required.

You can't see it, you can't touch it and you can't smell it, but you can measure it using the proper valuation tools of an appraiser. It's in the market, and if

an informed appraiser is alert, it will be heard. When the market speaks, appraisers listen.

About the author: Micheal J Remsha is PE, ASA, CMI, American Appraisal Associates.

This paper was presented at the 3rd International Conference on the Valuation of Plant Machinery and Equipment, Sydney 2002.

References

- Hartman, Donald and Michael Shapiro. 1983. Depreciation: Incurable Functional Obsolescence and Sequence of Deductions, *The Appraisal Journal*, July.
- Herman, Robert. 2001. Measuring External Obsolescence in Complex Properties (Real Estate), Paper presented at the 25th Annual Conference, June 2001. Institute for Professionals in Taxation
- Hinshaw, Andrew. 1963. Functional and Economic Obsolescence of Industrial Installations, *Technical Valuation*, American Society of Appraisers, February 9.
- Iannacito, Alan. 1998. Economic Obsolescence, *The M&E Appraiser*, January/April, Volume 5, Number 1.
- Kinnard, William, and Gail Beron. 1984. Quantification and Measurement of Economic Obsolescence. Paper presented at the Real Estate Valuation Symposium, November 14. Institute of Property Taxation.
- Landretti, Greg. 1986. Annual Economic Adjustments and the Special Purpose Industrial Property, *Assessment Digest*, International Association of Assessing Officers, September/October, Volume 8, Number 5.
- Miles, Les. 1993. Economic Obsolescence, *The M/TV Journal*, American Society of Appraisers, Fall, Volume 10, Number 2.
- Reilly, Robert. 1988. The Identification and Quantification of Economic Obsolescence, *Business Valuation Review*, American Society of Appraisers, June.
- Rhodes, Lester. 2001. External Obsolescence and Complex Properties, Paper presented at the 25th Annual Conference, June 2001. Institute for Professionals in Taxation.
- Skogstad, Tor. 1983. Estimating Economic Obsolescence of Operating Industrial Plants, *Assessment Digest*, November/December.
- Thatcher, Lionel, and Richard Dubielzig. 1967. Obsolescence in Railroad Ad Valorem Tax Assessments, *Wisconsin Commerce Reports*, The University of Wisconsin, May, Volume VIII, No.2.

NEW ZEALAND
PROPERTY
INSTITUTE

NZPI Property Card each of NZPI 3000 members are entitled to the NZPI Property Card. This gives entry to institute events at discounted prices along with access to discounted products and services available only to members. For example 30% subscription discounts to the award winning Unlimited magazine, office supplies, accommodation average savings have been estimated of over \$3500 across a range of products.

www.property.org.nz

Lease length and the care of properties

Abstract

The reasons why longer leases usually give tenants more control over their premises than short leases are explained. Both international comparisons and variations within markets confirm this tendency.

However, it is impractical to use available leasing data to measure a mathematical relationship between lease length and the allocation of responsibilities. Instead, this paper describes an algebraic model of the (agency) costs of leasing on different bases and how these costs vary with the length of the lease. Simulations using the algebraic model estimate the lease length at which landlords and tenants may benefit from switching responsibilities for the property under several scenarios.

Typical lease lengths for non-residential properties are changing in some countries, either as a result of legislation or market forces. Therefore, it is timely to consider whether the property responsibilities will or should be allocated differently in future. The observed variations in the bases of leasing and these simulations suggest that there are approximate lease lengths, above which responsibilities for the property should be changed.

Introduction

One of the functions of a lease is to define the responsibilities of the landlord and tenant in managing and maintaining the property. This paper explores the relationship between lease length and the allocation of these responsibilities. It analyses the reasons why long leases would be expected to give tenants more control over their premises than short leases.

It is generally accepted that tenants do not have the same incentive as owner-occupiers to care for their buildings. Many writers have recognised that leased premises are likely to be neglected because lease covenants are only enforceable at significant cost. Less attention has been given to the potential neglect by landlords who have granted long leases or to the potential overspending by landlords recovering costs by way of service charges. Further, most of the literature is not explicit as to how the length of leases influences

both the likelihood of neglect and the lease covenants that might encourage proper care of the premises.

Observed variations in lease lengths are compared with the allocation of responsibilities across and within markets. From these patterns and an algebraic model, approximate threshold lease lengths, above which major responsibilities are or should be shifted to the tenants, are derived.

Typical lease lengths for non-residential properties are changing in some countries, either as a result of legislation or market forces. Therefore, it is timely to consider by whom the care of the property is likely to be (or should be) handled under leases of different lengths.

The control of leased premises

From the perspective of landlords and tenants

Both landlords and tenants recognise that an adequately managed and maintained building is essential to meet their investment and business objectives. However, inadequate management may not affect the parties equally, giving them different incentives to agree to look after the property. Because some operating expenses are partly for future benefits, the length of the lease appears to be the main factor determining which party gains most from proper management. The frequency of rent reviews and any rights for the tenant to renew the lease are related factors.

For landlords, the quality of property management makes no immediate difference to the rent receivable which has been fixed by the lease. Therefore, landlords may show little interest in the care of single-tenanted properties in the early years of long leases. Under shorter leases, landlords have a stronger incentive to protect the residual (or reversionary) value of the property by taking proper care during the lease (Catterill 1993, p.80). Raftery (1991, p.73) states that maintenance may have only a minor effect on depreciation (compared with effects of technological obsolescence and market conditions) with the exception that "where a tenant is nearing the end of a lease, he or she may not consider it to be worthwhile to carry out certain items of maintenance which are capable of being postponed".

For the tenant, poorly managed premises may reduce the efficiency of business operations, failing to protect equipment or stock, creating danger or discomfort for employees and discourage clients or customers. However, tenants are likely to have little interest in those property operating expenses which protect the building after the lease has expired. Therefore, tenants under short leases will not be inclined to spend as much as owner-occupiers would on their premises. Some authors have commented on the potential damage to the landlord and tenant relationship because tenants may be reluctant to carry out repairs and how this may hasten depreciation (Salway 1986, p.113; Baum 1991, p.38).

As well as differences in their benefits from adequate management, landlords and tenants often do not agree on what are appropriate maintenance solutions, provisions for insurance and building management strategies. The party that carries out the repairs can ensure that the standards, methods and timing of the works match their personal or corporate objectives (Lee 1987, pp.18 & 56). Again, the length of the lease appears to be the dominant factor in determining which party will be keener to impose its approach to maintenance and management.

Service charges go some way to solving the landlords' problem of enforcing covenants by the tenant to manage and repair. They enable the landlord to retain control of the property whilst recovering the costs from the tenant(s). However, tenants are often suspicious of leases with provision for recovery of landlords' expenses by way of service charges. Landlords may be over-zealous in their care of the premises, "seeking to improve their buildings (and rental value) at the tenants' cost" (Silman 1998, p.116). The potential for overspending in service charges may be more severe in shorter leases because landlords will be aware of the imminent change in rent and possibly tenant. Landlords are also more concerned to avoid the risks of uncertain costs in longer leases.

It only matters which party cares for the property because there are substantial difficulties and costs in enforcing the lease covenants. The costs begin with the drafting of precise, and what are hoped to be binding, covenants. However, it is impossible to anticipate every eventuality or to define in a lease exactly how the other party should fulfil its obligations. During and at the end of the lease, there are further costs of monitoring compliance. If a breach of covenant is detected, enforcement action is expensive and sometimes unsuccessful. The definition of adequate repair is often contentious, with blurred distinctions between maintenance and improvement leading to many disputes.

There is clear evidence from some countries that covenants defining liabilities for the management of properties, particularly for those for maintenance, are difficult to enforce. The English Law Commission

writes of "serious shortcomings in the law which governs the repair and maintenance of leasehold property" (Law Commission 1996, p.2). There is anecdotal evidence of landlords (and tenants) becoming so exasperated with the delays in rectifying defects that they have carried out repairs themselves (Producers 1992, p.102). The enforcement of long "full repairing" leases typically requires the production of Schedules of dilapidations at the end of each lease. These Schedules are expensive to prepare and prosecute. They may result in only partial recover of the costs of repair or illegitimate claims for substantial refurbishment at the expense of the outgoing tenant (Taylor 1997, p.77).

In Australia, the inadequacies of the law of repair of leased business premises are highlighted by the volume of disputes continuing to reach the higher courts (Rowland 2000a, p.27). In Australia (and probably others with an English common law heritage), the law lacks a satisfactory standard of repair, lacks any implied covenant to repair and has weaknesses in the remedies for disrepair.

For many years, tenants have expressed concerns about their inability to verify that all recoverable expenses are legitimate (McGee 1984). As Rubin (1997, p.185) points out "the service charge is controlled by the landlord and leases often limit the scope for challenging costs". Recent cases and ongoing unease confirm that this remains a point of friction between landlords and tenants (Standing Committee on Industry, Science and Technology, 1997, p57). Tenants continue to contend that some landlords are implementing service charges unfairly (Lewison 1999, p.35; King 2001, p.74). Retail tenancy legislation in all Australian States prescribes how service charges are to be administered and audited. There are significant administrative costs in providing accurate operating expenses statements and this may discourage their use for very short leases.

From an academic perspective

Many writers have recognised that leased premises are likely to be neglected because lease covenants are only enforceable at significant cost. Whenever the bundle of property rights is split, contractual arrangements must be devised to minimise the potential conflicts between those with interests in the property.

The literature on financial leases acknowledges that the level of maintenance is an economic decision and short-term lessees have little incentive to minimise depreciation of the asset, failing to protect its salvage value (Miller and Upton 1976, p.766; and Flath 1980, p.253). Smith and Wakeman (1985, p.903) consider how lease provisions may alter the incentives for both parties, citing the use of service leases (in which the lessor provides the maintenance) as one way of avoiding the lessee's tendency to neglect the asset.

The lack of incentive for tenants to take care of

their premises has been used frequently in the housing economics literature to explain tenure choice (Henderson and Ioannides 1983, p.98) and the observed lower rents on lease renewal than new tenancies (Hubert 1995, p.631). Kanemoto (1990, p.7) believes that the problem lies in proving to a third party (typically a court) that the tenant has neglected or overused the premises. The author shows how different forms of contracts for the use of property will alter the likelihood of inappropriate standards of maintenance.

A model of under-maintenance by tenants proposed by Benjamin, de la Torre and Musumeci (1995, p.179) is a comparison between the present values of owning and leasing premises. The contrast between the care of premises taken by owner-occupiers and by tenants highlights the overuse by tenants during the lease, with adverse consequences for the residual value. The authors describe various ways in which leases might be amended to lessen or remove the effects of the tenant's incentive to abuse the premises, such as contracts obliging the landlord to maintain, giving the tenant an option to buy, requiring security deposits or adjusting the rent according to the intensity of use (Benjamin, de la Torre and Musumeci 1995, p.184).

Their model can be generalised as there may also be an element of under-maintenance under (gross) leases which require landlords to care for their properties. This is because, after the rent is fixed, landlords will only increase operating expenses if it increases the present value of the residual sufficiently. Service charges create an incentive for landlords to overspend, provided that this will enhance the residual value.

Control as an agency issue

Because the actions of landlords (or tenants) affect but cannot be fully controlled by tenants (or landlords), their conflicts may be modelled as agency problems. In the economics literature, the concept of agency encompasses any occasion when the owner of an enterprise contracts with someone else to operate the enterprise (Holmstrom 1979, p.74; Rees 1985, pp.3 & 75; Ross 1973, p.134). Agents are assumed to maximise their own welfare which may involve neglect ("moral hazard"). Whenever principals cannot monitor easily the actions of their agents (because of "information asymmetry"), there will be agency costs (Hirshleifer and Riley 1992, p.295). Whenever principals suspect agents will shirk from their duties, they will adjust their contractual bids to reflect this potential loss. Only those agents intending to shirk will remain in the market on these terms ("adverse selection"). Other forms of contract may emerge which give more incentive for the agent to work in the principal's best interests.

In the context of shareholders and managers of public companies, Jensen and Meckling (1976, p.308) define agency costs as the sum of:

- the costs that the principal incurs in monitoring the activities of the agent;
- the costs for the agent of giving bonds or guarantees that the agent will try to meet the objectives of the principal; and
- the costs of any residual loss for the principal caused by the divergence of the interests of the parties.

Landlords can be seen as agents acting on behalf of tenants in providing building services which influence the tenants' utility. Tenants can be seen as agents acting to ensure that the landlords' residual values are protected. Agency costs are present in any lease because the party that is responsible for the property is acting partly as an agent to protect the interest of the other party. The relative values of their interests in the property are a function of the length of the lease. The allocation of responsibilities that minimises the agency costs will be influenced by the length of the lease. This is the basis of model in Part 4 below

The expected allocation of responsibilities

These market and academic perspectives suggest that the allocation of responsibilities is related to the length of the lease. Although there are innumerable ways of sharing the duties between landlords and tenants, the bases of leasing can be thought of as three archetypal leases. A gross lease is defined as one for which the landlord is responsible for all aspects of the management and maintenance of the property. A net lease is defined as one for which the landlord is responsible for all aspects of the management and maintenance but recovers all the costs from the tenant. A tenant-repairing lease is defined as one for which the tenant is responsible for all aspects of the management and maintenance of the property. The expected effects on these three types of lease on the behaviour of the parties and the likely length that will minimise agency costs are set out in Exhibit 1 (over page).

Comparisons of lease structures

To find out whether markets follow the leasing patterns summarised in Exhibit 1 (over page), the types of leases and their lengths can be compared across markets and within markets. Both comparisons are made difficult by two factors. First, data on lease covenants is rarely available for a significant unbiased sample of commercial or industrial premises. Even in those jurisdictions with public records of property sales, lease transactions are treated as confidential. In some markets, reasonable samples of agreed rents are available but the terms and conditions of the leases are often not recorded. Secondly, the allocation of responsibilities is often shared or blurred, rather than falling into the neat categories of Exhibit 1 over page.

Comparisons across markets

Exhibit 2 (over page) provides international comparisons of what are believed to be the usual bases and lengths of lease for substantial lettings of city office space. Many large businesses make international

Exhibit I

Lease length and incentives for landlords and tenants

Type of lease	Party in control	The effect of shortening the lease is to...	Minimum agency costs arise &om...
Gross	Landlord	lower the incentive for the landlord to neglect the property.	the shortest leases.
Net	Landlord	increase the incentive for the landlord to overspend.	longer leases.
Tenant repairing	Tenant	increase the incentive for the tenant to neglect the property.	the longest leases.

Exhibit 2

Single-tenanted City offices: Common bases of leasing

Country	Structure	<u>Responsibilities of landlords</u>			Length of lease
		<u>Servicing</u>	<u>Insurance</u>	Taxes	
Australia	Yes				3-10 years + option
E. States			Yes, recovery of increased costs		
Western Australia	Yes		Yes, full cost recovery		2-5 years + option
England	Not if single tenanted	Yes, full cost recovery	Yes, full cost recovery	Yes, full cost recovery	15 years
France	Yes	Yes, full cost recovery	Yes, occasional cost recovery	Yes, full cost recovery	9 years, 3yrly break for tenant
Germany	Yes	External, partial cost recovery	Yes, full cost recovery	Yes, full cost recovery	5-10 years + option
Hong Kong	Yes	Yes, full cost recovery	Yes	Yes, cost recovery	3-5 years
India	Yes	Varied, some cost recovery	Yes, occasional cost recovery	Yes, occasional cost recovery	2-3 years
Italy	Yes	Yes, full cost recovery	yes	Yes	6 years
Japan	Yes	Yes, most costs recovered	Yes, generally cost recovery	Yes	2 years
Mexico	Yes	Yes	Yes	Yes	3-5 years
USA	Yes	Yes some costs recovered	Yes	Yes, possibly recovery of increases	2-5 years + option
	Yes	Yes, some leases recover costs, possibly of increases only			3-10 years

comparisons in deciding where to locate their regional or global offices. In some cities, multi-tenanted office buildings dominate the leasing market and there are more likely to adopt service charges than single tenanted buildings. The information for Exhibit 2 (above) has been gathered from a variety of written sources and enquiries of practitioners in several countries.

There is an element of subjectivity in describing types of leases as usual or normal in a particular

market. The bases and length of leases also depends upon the size and quality of the space, the state of the market and the attractiveness of the tenant. Further, there appear to have been minor changes in the bases and length of leases during the 1990s in some countries.

Whilst no firm conclusions can be drawn from such international comparisons, they reveal some traits of leasing markets that are broadly consistent with the

expected link between lease length and the allocation of responsibilities for the property. Commercial leases tend to be shortest in Asian countries where landlords look after the properties, with partial or no recovery of operating expenses is common. In Western Europe, leases in many countries are longer (with statutory minima or renewal rights in some countries).

Landlords manage and maintain their premises but, since the 1980s, service charges have become the norm in many countries. The Civil Codes often dictate that the landlord is responsible for structural repairs. In the USA, there is more variety in the bases of leasing offices, with the full range of gross to "triple net" leases negotiated in each city.

The very long leases in England usually pass all responsibilities, including structural repairs and inherent defects, to the tenants. Many landlords of single tenanted properties leased for 15 to 25 years have shown little interest in their buildings, arguing that they do not receive the benefits of good management until the lease expires (Greenwood, 1982: 109). In fact, the traditional stance of institutional investors in England has been that any involvement with the property detracts from its characteristics as a passive, trouble-free investment (Neat, 1984: 293; Taylor, 1990: 18). These patterns are summarised in Exhibit 3 (below).

Although it is not evident from this information, in those countries where leases permit frequent adjustments to rent, there is less emphasis on full recovery of operating costs. This is most noticeable in countries where the rents are linked to either consumer price or construction cost indices. In markets for which changes in the basis of leasing have

occurred over time, shifts in responsibilities that benefit landlords coincide with temporary shortages and shifts that benefit tenants coincide with surplus space. It appears that the dominant party takes advantage of the market conditions to improve basis of leasing as well as to increase the rent.

Within markets

Two examples of the relationship between lease length and the responsibilities for the property within particular countries are provided below.

Australia

The basis of leasing properties in Australia varies according to the use of the property, its size and its State. As in most countries except England, it is the practice in Australia for service charges and tenant-operating leases to exclude liability for "fair wear and tear" (Barnett, 1990: 66; Duncan, 1993: 103) and structural repairs. In self-contained shopping centres, landlords operate the property and recover the costs from the tenants (except for some items for which State laws prohibit recovery), whereas leases of single shops tend to give tenants more responsibilities if the letting is for a longer period. Office buildings in Perth are mostly leased net, whereas in the Eastern cities, they are predominantly leased on a "gross plus increases" basis. In oversupplied markets in the early 1990s, government departments led a push for gross leases with no recovery of increased costs.

Single tenanted leases of offices and industrial properties for more than 10 years are not common but would often require tenants to operate the premises. Single tenanted leases of less than three years are often gross. 0 below shows the portion of net and gross leases of different length for some 697 leases over

Exhibit 3

Broad patterns of prime office leases

Many Asian countries	Australia and New Zealand	Many European countries	England
Gross	Almost net		Tenant repairing or fully net
2 years	5 years	10 years	15 years

Common lease lengths

Net or Gross (South Australian leases)

Length	Gross	Net	Other
1 year or less	47.7%	41.4%	10.9%
2-3 years	21.0%	74.4%	4.6%
4-5 years	17.1%	73.6%	9.3%
more than 5 years	15.4%	78.8%	5.8%
Total	28.7%	63.7%	7.7%

Exhibit 4

FRI/Net or Internal Repairing
(UK auction particulars) by number of leases

<u>Length</u>	Unknown	FRI	IR
<u><10</u>	35.3%	49.4%	15.3%
10-14	27.0%	69.0%	4.0%
15-19	21.7%	75.7%	2.6%
20-24	18.2%	81.3%	0.5%
25 or more	17.5%	82.5%	0.0%
Total	26.2%	67.4%	6.4%

Note: This data does not distinguish FRI (Full repairing and insuring) leases from net leases with service charges; IR (internal-repairing) leases are partly gross.

commercial and industrial properties in Port Adelaide (South Australia). The table confirms that leases of one or two years are significantly more likely to be gross than leases of three to five years which are normally net. The column headed "Other" contains a mixture of leases with partial recovery of operating expenses and those for which tenants carry out some repairs and insurance themselves.

England

Single tenanted prime properties in England are held generally under full repairing and insuring leases. Recent new lettings are typically for 15 years with some for longer periods. Multi-tenanted commercial, retail and industrial properties are leased with service charges recovering all operating expenses (although some tenants have been able to negotiate a ceiling on the service charge). Gross or "internal repairing" leases are more common for small secondary properties on short leases, not owned by institutional investors. Exhibit 4 (above) summarises information about 1616 leases over properties which were auctioned in England and Wales during 1998 and 1999. The information was collated from auction particulars and in many instances the repair responsibility was unclear. The link between lease length and who has control of the premises is clouded because the data does not distinguish between tenant-repairing leases and net leases with service charges. However, it is clear that internal repairing leases are rarely used for tenancies of more than ten years.

The typical lease length for "institutional grade" property in England has fallen from 25 years to 15 years since the 1980s. Some (but not all) evidence suggests that this has been accompanied by more use of internal repairing leases. It appears that there may be no less use of full repairing and insuring (or net) leases for what are loosely called prime properties. A survey of corporate tenants by Crosby, Gibson and Oughton (2001, p.22) revealed that some felt that the

full repairing and insuring lease was no longer appropriate with shorter leases (particularly for 10 years or less). A recommended short-term lease endorsed by landlord and tenant representatives is intended for use in leases up to three years and it provides for full care by landlords with no service charges except for payment of utilities.

Both the comparisons across and within markets confirm, in a limited way, the expected link between lease length and the allocation of responsibilities for the property. Because of the shortcomings of the data, the complexity of leasing arrangements and the danger of generalising from specific markets, an algebraic model is proposed below to supplement these findings.

An algebraic model

The framework of the model

A model suggesting how property responsibilities should be allocated for leases of different lengths is outlined below. The foundations of the model are that:

- landlords seek to maximise the present value of their net income during the lease and the value of the property after the lease expires; and
- tenants seek to maximise the present value of their benefits of occupation, net of all occupancy costs, during the lease.

The model shows why shifting responsibilities does more than shift value from one party to the other. Shifting responsibilities may change the combined present values of the interests of the landlord and tenant.

The landlord seeks a lease that maximises:

$$t \left(\frac{L}{1+k_d} \right)^t - Et \left(\frac{C_Y - S_t}{1+k}, \frac{C_r}{(1+k_r)t} \right)$$

Equation (1)

where I_i is the rent per annum in year i ; i are the years of the lease; t is the length of the lease in years; h is the annual interest rate on medium or long term debt of the tenant;

X_i are the property operating expenses paid by the landlord in year i ;

S_i are the landlord's operating expenses recovered from the tenant in year i ;

k is the annual discount rate appropriate for uncertain liabilities of the landlord; and

C is the effect on the residual value of the building of an inappropriate level of operating expenses (neglect or overspending).

During the lease, the landlord will receive rent, L , which is fixed or linked to some index during the lease or at least until a rent review to the current market rental value. The landlord may be responsible for some or all of the operating expenses, X , although some may be recovered from the tenant as a service charge, S . The operating expenses are uncertain when the lease is signed.

The discount rate for the rent reflects the return on medium or long term debt issued by the tenant. The landlord receives lease payments that are the equivalent to payments on a corporate bond or other debt instrument issued by the tenant, with the residual value akin to an equity stake in the property (Graff 1992, p.449; French and Ward 1996, p.48).

The discount rate for uncertain liabilities such as the operating expenses should reflect the risk that they may be greater than expected. Because the elements of the cash flow are discounted separately in Equation (1) above, risky liabilities are discounted at a lower rate than certain receipts or liabilities.

At the end of the lease, the landlord is entitled to the unencumbered value of the property which will largely be determined by market conditions at that time. However, the residual value of the building may be affected by neglect of (or overspending on) the property during the lease. The effect on the residual value arising from changes to the operating expenses is termed C . Except for this effect, it is assumed that the value of the property after the lease expires is not influenced by the current lease.

The tenant seeks a lease that minimises:

$$r = \frac{L_i}{(1+k)^i} + \frac{X_i - S_i}{(1+k)^i} + \frac{C_i}{(1+k)^i}$$

Equation (2)

where X_i are the property operating expenses paid by the tenant in year i ;

h is the annual discount rate appropriate for uncertain liabilities of the tenant; and

C_i is the effect on the benefits of occupation in

year i arising from an inappropriate level of operating expenses (neglect or overspending).

The tenant benefits from occupying the premises until the lease expires, subject to the payment of the agreed rent, L , and possibly paying for uncertain operating expenses, either directly, X , or by reimbursing the landlord, S . The benefits of occupation are uncertain when the lease is signed and will be reduced (or increased) if neglect of (or more spending) on the property. The change in the tenant's annual benefits of occupation is termed C .

The discount rate for the (fixed) rent is the cost of medium to long term debt issued by the tenant. The tenant should be indifferent to paying a (net) rent that is equivalent to the interest rate on borrowings to acquire the asset plus the expected depreciation (Miller and Upton 1976, p.764; Hendershott 1997, p.6). This cost of capital for the tenant is the same as the landlord's return on such debt. The discount rate for risky liabilities may be slightly different from the landlord's rate for the same liabilities, which may depend upon the landlord's cost of capital and degree of risk aversion.

Optimal allocation of property responsibilities

Both the landlord and the tenant will be striving for lease terms that define their responsibilities for the property in such a way that their own interests are maximised. Generally, changes in responsibilities that benefit one party will disadvantage the other, but not necessarily by the same amount. Whenever the parties see net benefits from switching responsibilities, the net benefit can be shared by adjusting the rent.

Provided that rent can be adjusted when negotiating different lease terms, landlords and tenants will cooperate to reduce their combined costs during the lease. In comparing two bases of leasing, the parties will opt for the one that minimises their combined costs. A simple numerical example in Exhibit 5 below demonstrates this. This example shows how, if the responsibilities are changed in such a way that the tenant's operating costs are lowered more than the landlord's costs are increased, the tenant will be willing to pay sufficient extra rent to cover the landlord's increased costs.

In the example in Exhibit 5 (following page), the value of both the landlord's and the tenant's interests can be enhanced by changing the allocation of lease responsibilities. If a change in the allocation of lease responsibilities, with an associated change of rent, would increase the value of the interests of both parties, the revised basis of leasing is more efficient than the original allocation of rights and responsibilities. The potential to improve the combined values of the interests of both parties by changing the lease terms is realised by compensating adjustments to the rent. Whenever one party to the lease would surrender rights or responsibilities for a smaller adjustment to the rent than the other party, a

EXHIBIT 5

Consider a property that the tenant has been offered to lease at \$80 per square metre per annum (psmpa) on the condition that the tenant is responsible for all maintenance and management. Operating the property would cost the tenant about \$35 psmpa until the lease expires but suppose that the landlord can operate the property for about \$30 psmpa.

The tenant would benefit by offering a (gross) rent of up to \$114 psmpa for the landlord to bear the responsibility for operating the property. The landlord would gain by taking responsibility for all maintenance and management at a gross rent of between \$111 and \$114 pmspa. This is because the operating costs are being borne by the party with the cost advantage.

more efficient lease can be negotiated.

Referring back to Equation (1) and Equation (2) above, each party will agree to changes in property responsibilities, provided that after compensating adjustments to the rent, the present value of their interest is increased. Because the appropriate discount rate for the agreed rent is the same for the landlord and tenant, the parties will adopt the basis of leasing which minimises:

$$\frac{(X_{r,t} - S_{r,t})}{(1+k)^t} + \frac{X_{n,t}}{(1+k)^t} + \frac{C_{t,y}}{(1+k)^t} \quad (1+k)^y$$

Equation (3)

The terms in Equation (3) above are the costs of leasing which may vary with the basis of leasing. This representation of the negotiation of leases captures two aspects of the relationship between landlords and tenants. On the one hand, they are adversaries striving to obtain the most from the property at each other's expense. This aspect of their negotiations is a "zero sum game". On the other hand, they are also partners, working together to enhance the total value of the property and hence increase both of their interests.

The property operating expenses, X_r and X_n , and the recoverable operating expenses, S , are determined by the basis of leasing. A convenient simplification is to define three types of leases in such a way that:

- under a gross lease, $X_n = 0$ and $S = 0$;
- under a net lease, $X_r = S$ and $X_n = 0$;
- under a tenant-operating lease, $X_r = 0$ and $S = 0$.

These three bases of leasing are used to judge the effects of neglect or overspending under leases of different length.

The effects of neglect or overspending
The model defines how the basis of leasing will

influence the incentive to under- or overspend on operating expenses. Changing the level of expenses influences both the residual value of the property and the benefits of occupation. There has been little empirical research as to how spending on the property influences the benefits of occupation or its residual value.

Vorst (1987, p.211) models maintenance as a stochastic variable having a declining positive influence of the quality of housing. Similarly, Benjamin, de la Torre and Musumeci (1995, p.179) assume that additional expenditure shows declining benefits. Dildine and Massey (1974, p.633) deduce an optimum level of expenditure (when marginal benefits are equated to marginal costs) and its effect on housing quality. They use a geometric rate of depreciation and show that as rents decline, less expenditure can be justified. They observe that some expenditure on the property does not influence depreciation (these are items such as insurance, taxes and fuel; p.632) and that, other things being equal, an increase in site values will lower the optimum level of maintenance expenditure (p.636).

Little is known about rates of depreciation for properties. This model does not specify a rate of depreciation for a properly maintained building. Instead, it defines changes in depreciation caused by neglect or overspending. A plausible relationship between changes in operating expenses and changes in the value of the property is:

$$C = \frac{u}{b} t (1+k)^t (1-ud)$$

Equation (4)

where C is the change in present value of the property arising from an inappropriate level of operating expenses;

b is the length of the life of the building in years;

X_i are appropriate property operating expenses in year i ;

h is the annual discount rate for uncertain liabilities (for an owner-occupier);

u is a percentage change in operating expenses; and

d is a factor setting the severity of declining returns for additional expenditure.

The appropriate operating expenses would be an amount unaffected by any lack of incentive for the landlord or tenant. Therefore, the appropriate level of expenses are those that an owner-occupier would undertake (Benjamin, de la Torre and Musumeci 1995, p.180). By defining the percentage of unenforceable expenses as u , C gives a measure of the potential effect on the value of either neglect or overspending.

The unenforceable elements of the operating expenses are mainly maintenance expenses, some of which may border on improvements. The fact that

maintenance is often deferred under poor economic conditions (Williams 1994, p.17) suggests that some items are treated as discretionary. Tenants will seek to reduce any expenditure that gives benefits after the lease has expired, whereas landlords will give these expenses priority. However, it is not clear how expenditure in one period limits depreciation in later periods. Nor is it easy to define which expenses are for future benefits and which for today.

In this model, the changes in the present value of the property, C, caused by inappropriate expenditure are apportioned between the landlord and the tenant in accordance with the length of the lease, t, as a portion of the remaining life of the building, b. The changes in the landlord's residual, Cr, and the tenant's occupational benefits, Cn, are given by:

$$(1+k)^{-t} C = \frac{I}{b} \tag{5}$$

Equation (5)

$$E = \frac{C}{(1+k)^t} = C \frac{t}{b} \tag{6}$$

Equation (6)

Different bases and lengths of lease

Using this model, the effects of the basis and length of lease on the value of the property can be tested. This is explained fully for a gross lease. Under a gross lease, the landlord will avoid unenforceable expenses that do not enhance the value of the residual sufficiently

If u is the unenforceable element of the operating expenses, Equation (4) and Equation (5) above can be combined to show that the effect of this underspending on the residual, Cr, would be:

$$(1+k)^{-t} C = \frac{I}{b} \tag{7}$$

Equation (7)

Under a gross lease, a landlord will have an incentive to reduce expenditure, Xr, to the level at which the present value of the reduction in expenses is the same as the present value of the resulting damage to the residual. This sets the minimum expenditure by the landlord to the level at which:

$$\frac{X_r u}{(1+k)^t} = \frac{X'' u}{(1+k)^t} * (1-u)^t * \frac{I-t}{b} \tag{8}$$

Equation (8)

The left side of Equation (8) above represents the potential saving on expenses and the right side

represents the damage to the residual value that would result.

The reduced expenditure by the landlord also lowers the value of the tenant's interest. Assuming that the lease cannot be designed to prevent the landlord lowering expenditure, the landlord will not consider this further loss. Combining Equation (4) and Equation (6), the tenant's loss in each year of the lease, Cni, will be:

$$C_{ni} = \frac{C}{(1+k)^t} - \frac{b X_r u}{(1+k)^t} * \frac{t}{b} \tag{9}$$

Equation (9)

The key to the model is that, either the landlord does not consider the tenant's loss in selecting a level of maintenance under a gross lease or that the tenant believes that the landlord will not consider the tenant's loss.

Adopting the same approach to a tenant-operating lease, the tenant will reduce operating expenses by the avoidable portion, u (subject to a minimum expenditure, X, that makes the present value of these expenses equal to the present value of the damages to the occupational benefits, Cn). The tenant will not be concerned that this will lower the value of the landlord's residual.

Under a net lease, the landlord will overspend unless this can be contained by the tenant (subject to a maximum expenditure, Xr, that does not decrease the present value of the residual). The model assumes that the effects of overspending on the value of the interests in the property take the same functional form.

Initial simulations using the model

One method of testing this model is to simulate the costs of leasing as reflected in Equation (3). These costs of leasing are the operating expenses plus any changes in the values of the interests of the landlord and tenant that are caused by neglect or overspending. Using the three simple bases of leasing defined above (gross, net and tenant-operating leases), the costs of leasing for any number of years can be evaluated. The level of operating expenses is set by the party responsible for the works (for example, in Equation (8) for a gross lease) and ignoring the change in value of the other party (in Equation (9) above).

The initial simulation assume that 20 per cent variations in operating expenses cannot be controlled by the other party (and d was given a value of 2, reflecting sharp declines in returns for additional expenditure). The discount rate for both the landlord's and tenant's liabilities was set at 6 per cent per annum. Using an arbitrary \$1000 per annum as the appropriate operating expenses and a building life of 30 years, the costs of gross, net and tenant-operating leases of between one and 30 years were

Exhibit 6
Lease length and responsibilities

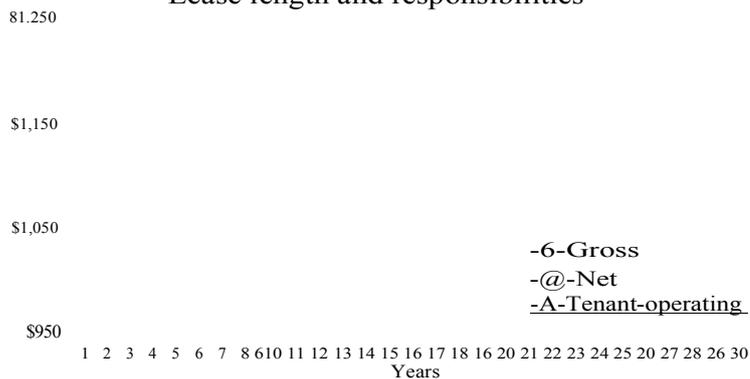
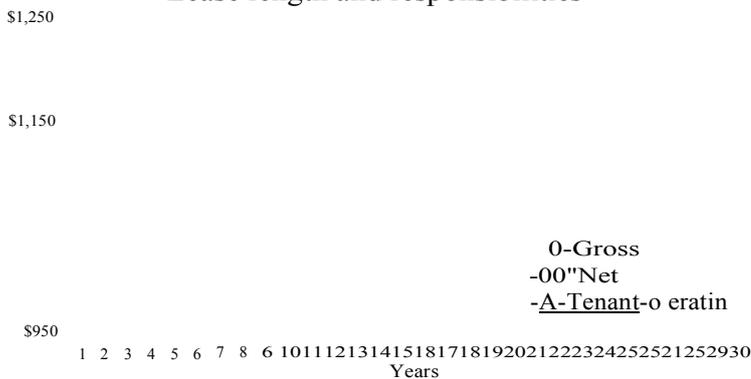


Exhibit 7
Lease length and responsibilities



calculated. These are displayed as annualised costs (using a cost of debt of 8 per cent per annum) in Exhibit 6 above. The lease type with the lowest costs would be preferred. The annualised costs above \$1000 represent the aggregate loss created by the incentives to neglect or overspend during the lease (the agency costs).

Gross leases show lower costs up to lease length of eight years; tenant-operating leases show lower costs for leases of 22 years or more. In this simulation, leases between nine and 21 years long add the same costs whichever basis of leasing is adopted. Increasing the uncontrollable variations in operating expenses or the severity of the declining returns reduces these neutral lease lengths. Decreasing the building life reduces the minimum lease length for which tenant-operating leases show the lowest costs. Variations in the discount rates have a dramatic effect upon the annualised costs but much less effect on which type of lease has the lowest costs at each lease length.

These initial simulations show gross leases to be

suitable for leases of five years and more and show no advantage of net leases. Two other factors have been identified as important in the allocation of responsibilities for leased premises.

Other factors influencing the basis of leasing

Comparative operating advantage

It may be cheaper for either the landlord or the tenant to manage and maintain the property for two principal reasons. First, only one of the parties may have specialised understanding of repair techniques, skills in the early detection of disrepair and knowledge of insurance, property taxes and maintenance contracts. Secondly, only one of the parties may have economies of scale in repairing, insuring or managing a portfolio of properties. Economies of scale have been recognised as one reason why leasing markets exist despite the agency effects (Benjamin, de la Torre and Musumeci 1998, p228). Provided that both the landlord and the tenant are aware of the comparative advantage, the responsibility for management and

maintenance will be allocated to the party that can make savings. To simulate this, it was assumed that the landlord can run the property for 5 per cent per annum less than the tenant. Referring to Equation (3) above, X_i is set out at 5 per cent less than X_{ni} , with the other variables unchanged. Exhibit 7 opposite shows the costs of leasing for different periods.

Net leases are now cheaper than gross leases of more than seven years. Tenant-operating leases now only minimise the costs of leasing for leases of 28 years or more. If these comparative advantage are more extreme, they determine the basis of leasing, irrespective of the length of the lease, outweighing the agency costs.

Risk allocation

Because operating expenses are unknown at the time when the rent is fixed, both parties would be averse to taking on the risk of escalating operating expenses. Under gross leases, landlords bear the risk; under net and tenant-operating leases, tenants bear the risk. Either party will only bear this risk if they are compensated. Therefore, the difference between a net and gross rent should be greater than the expected operating expenses. If a hedge against the fluctuations in running costs was available, either party could avoid the risk for the same cost and they would be indifferent between gross and net rents. However, such a hedge is not available and the risk must be borne by one party. In Equation (3), the present value of the costs will be lower if they are borne by the party which is less averse to these risks, other things being equal. This can be simulated in the model by lowering the discount rate for risky liabilities for the party which is more risk averse. Exhibit 8 below is based on a landlord more averse to risks than the tenant, lowering the landlord's discount rate for risky liabilities from 6 to 4 per cent per annum (whilst removing the comparative advantage).

If the landlord is more averse to bearing the risk of

operating expenses, a gross lease is less suitable than a net one. In this simulation, the gross lease is only the cheapest basis for leases of three years or less. If the landlord's risk aversion is made stronger, even shorter net leases may be preferred. Although the potential for overspending in service charges is more severe in very short leases, the allocation of operating risks may more be more important than the agency costs in determining the basis of leasing. Tenant-operating leases remain the cheapest basis of leasing for 23 years or more.

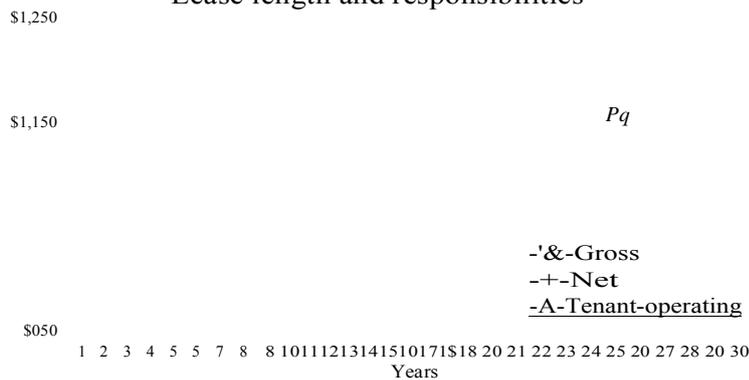
Limitations of the model

The costs of leasing are influenced by three principal factors: operating advantages, risk tolerance and incentives to care for the property. The outcome of the trade-off between their effects can be seen by simulating their likely effects. However, the ability of the simulations to predict the bases of leasing for different length leases is limited. First, there is a lack of information about how neglect or overspending influences the benefits of occupation and the residual value. Secondly, in practice, the magnitude of the change in the value of the landlord's and tenant's interests arising from neglect or overspending may be negligible in comparison with the other factors and the general changes in values and rents over time. Thirdly, there is little evidence of how landlords and tenants judge the benefits and risks of different lease structures.

There are further aspects of the relationship between landlords and tenants that are not captured by the model. The model assumes that the negotiation process is flexible enough for the rent to be adjusted to compensate for changes to the allocation of responsibilities. However, there is evidence in some markets that rents may be negotiated for new leases on assumed terms and those terms may be amended subsequently without the rent being renegotiated (Crosby and Murdoch 2000, p.430).

Exhibit 8

Lease length and responsibilities



In some markets, leases may be treated as a small part of a larger relationship between the parties. If the parties have equal power, rents and lease terms may be set as a bilateral negotiation of a relationship that will develop during the lease and perhaps for subsequent leases (Williamson 1979, p241). In these cases, the incentive to avoid expenditure that is for the benefit of the other party may be countered by the advantages of preserving a cordial relationship between the parties.

It is not certain that the correct period of analysis is the length of the lease. There are arguments for extending the analysis to options or statutory rights to renew. There are also arguments for ceasing the analysis at the time of a market rent review or a break clause during the lease. If the tenant has an option to renew the lease at the then current market rent or has a break clause in the lease, the tenant (but not the landlord) can renegotiate the lease covenants as well as the rent. Provided that the initial lease is negotiated with a view to retaining the same covenants until the end of the lease, it is logical to model the costs of leasing over the period of the lease, excluding any options to renew or break clauses.

The implementation of rent reviews during the lease may also influence which party benefits more from good management and hence influence which party wishes to control management. If the rent after a market review is to reflect the standard of the property, the tenant pays over at least part of the benefit to the landlord, reducing the tenant's incentive to care for the building properly. However, if the rent at a market rent review will be set at a level that ignores disrepair (as is often the case if the tenant fails to comply with a repair covenant), the state of repair will not affect the rent until the lease expires. This suggests that the agency effects should be modelled over different periods for landlords and tenants.

The notion of efficient lease covenants for different length leases is a helpful abstraction. In reality, all that is observed in most property markets is a prevailing basis of leasing, allocating property responsibilities in a way that may appear to favour landlords or tenants. Except in markets in which the prevailing basis of leasing is changing or has changed, there may be no evidence that lease covenants are more efficient than the alternatives.

Leases are contracts with high costs in searching and evaluating alternative premises. These costs can be reduced by adopting the standard basis of leasing in the sub-market, even if the lease length is to be different to the norm. Standardisation makes rental comparisons easier. There are in fact no widely accepted methods for adjusting rents for variations in most lease covenants (Rowland 2000b, p.177). Leasing on an unusual basis also adds to the uncertainty of the value of the interest because there may be few subsequent buyers or assignees who share the preferences of the current landlord and tenant for the

unusual covenants. On occasions, standardising leases may be more important than the other factors influencing the basis of leasing.

Conclusion

The assertion that longer leases are likely to give more responsibilities to tenants than short ones is intuitively obvious. International comparisons and empirical evidence within some markets confirm this. The incentives to neglect or overspend can be modelled as agency costs although this requires some plausible but unsubstantiated assumptions about the effect of under- or overspending on the building. Simulating these costs of leasing gives insights into which basis of leasing is most suited to leases of different lengths. The impact of the age of the building is reflected but not the effects of the process and strengths in negotiation. The simulations also show how comparative cost advantage and the allocation of operating risks may obscure the relationship between lease length and the allocation of responsibilities.

The simulations are broadly consistent with the observed usage of different types of leases, where evidence is available. The simulations suggest that gross leases are best suited to leases of one to three years. For risk averse landlords, net leases for four to 15 years are preferred. Tenant-operating leases are only clearly favoured if they are for 20 years or more. In practice, shorter (two and three year) net leases are reasonably common in Australia and tenant-repairing 15 year leases remain the norm in England. Given the variety of institutional constraints in leasing markets around the world, it is unlikely that more precise conclusions can be drawn about the link between lease length and the allocation of responsibilities.

This paper was amended following referee's comments.

This paper was presented at the 8th Pacific Rim Real Estate Society Conference

References

- Albert, J.D. and McIntosh, W (1989) "Identifying Risk-Adjusted Indifference Rents for Alternative Operating Leases", *The Journal of Real Estate Research*, Vol. 4 (3) 81-93.
- Baum, A. (1991) *Property Investment Depreciation and Obsolescence*, Routledge, London.
- Baum, A. and McElhinney, A. (2000) "The Causes and Effects of Depreciation in Office Buildings: A Ten Year Update", working paper of the Department of Land Management and Development, University of Reading.
- Benjamin, J.D., de la Torre, C. and Musumeci, J. (1995) "Controlling the Incentive Problems in Real Estate Leasing", *Journal of Real Estate Finance and Economics*, Vol. 10 (2) 177-191.

- Benjamin, J.D. de la Torre, C. and Musumeci, J. (1998) "Rationales for Real Estate Leasing versus Owning" *Journal of Real Estate Research*, Vol. 15 (3) 223-238.
- Catterill, P. (1993) "Dilapidation v maintenance", *Estates Gazette*, Issue 9333 21 August, 80-81.
- Cooter, R. and Ulen, T. (1997) *Law and Economics*, 2nd ed., Addison-Wesley, Reading, Massachusetts.
- Crosby, N., Gibson, V and Oughton, M. (2001) "A Report on the Attitudes of Occupiers in the UK for the Royal Institution of Chartered Surveyors" Research Report, Department of Land Management and Development, University of Reading.
- Crosby, N. and Murdoch, S. (2000) "The influence of procedure on rent determination in the commercial property market of England and Wales", *Journal of Property Investment and Finance*, Vol. 18 (4) 420-444.
- DETR (Department of the Environment, Transport and the Regions, 2000) *Monitoring the Code of Practice for Commercial Leases*, DETR, London.
- Dildine, L.L. and Massey, F.A. (1974) "Dynamic Model of Private Incentives to Housing Maintenance", *Southern Economic Journal* Vol. 40 (4) 631-639.
- Dixon, T. (1999) "The Dynamics and Measurement of Commercial Property Depreciation in the UK", Research Report No 1999/1, College of Estate Management, Reading.
- Dixon, T.J., Crosby, N. and Law, V.K. (1999) "A critical review of methodologies for measuring rental depreciation applied to UK commercial real estate", *Journal of Property Research*, Vol. 16 (2) 153-180.
- Elliott, D.S., Quinn, M.A. and Mendelson, R.E. (1985) "Maintenance behavior of large-scale landlords and theories of neighborhood succession", *AREUEA Journal* Vol. 13 (4) 424-445.
- Flanagan, R., Norman, G., Meadows, J. and Robinson, G. (1989) *Life Cycle Costing Theory and Practice*, BSP Professional Books, Oxford.
- Flath, D. (1980) "The Economics of Short-term Leasing", *Economic Inquiry*, Vol. 18 247-259, April.
- French, N. and Ward, C. (1996) "Applications of the arbitrage method of valuation", *Journal of Property Research*, Vol. 13 (1) 47-56.
- Glascock, J. L., Sirmans, C. F. and Turnbull, G. K. (1993) "Owner Tenancy as Credible Commitment under Uncertainty", *AREUEA Journal*, Vol. 21 (1) 69-82.
- Goetz, C. J. (1984) *Law and Economics: Cases and Materials*, West Publishing Co, St Paul Minnesota.
- Graff, R.A. (1992) "Perspectives on Debt-and-Equity Decomposition for Investors and Issuers of Real Estate Securities", *Journal of Real Estate Research*, Vol 7 (4) 449-467.
- Grover, C.S. and Grover, R.J. (1987) "Conditions of Optimality in Periodic Preventative Maintenance", in Spedding, A.H. (Editor) *Building Maintenance Economics and Management*, E. & EN. Spon.
- Hendershott, P.H. (1997) "Uses of equilibrium models in real estate research", *Journal of Property Research*, Vol. 14 (1) 1-13.
- Henderson, J.V and Ioannides, Y.M. (1983) "A Model of Housing Tenure Choice", *American Economic Review*, Vol 73 (1) 98-113.
- Holmstrom, B. (1979), "Moral hazard and observability", *Bell Journal of Economics*, Vol. 10 (1) 74-91.
- Hubert, F (1995) "Contracting with costly tenants", *Regional Science and Urban Economics*, Vol. 25 631-654.
- Jensen, M. and Meckling, W. (1976) "Theory of the Firm: Managerial Behavior, Agency Costs and Capital Structure", *Journal of Financial Economics*, Vol. 3, 305-360.
- Kanemoto, Y. (1990) "Contract Types in the Property Market", *Regional Science and Urban Economics*, Vol. 25 355-372.
- King, V (2001) "", *Property Week*, Vol. 66 (12) 23 March 74-75.
- Law Commission (1996) *Landlord and tenant: Responsibility for State and Condition of Property*, HMSO, London (LAW COM No 238).
- Lee, R. (1987) *Building Maintenance Management*, 3rd Edition, Collins, London.
- Leigh, W.A. (1979) "The Estimation of Tenure-Specific Depreciation/Replacement Rates Using Housing Quantity Measures for the US, 1950-70", *Quarterly Review of Economics and Business* Vol. 19 (3) 49-59.
- Lewison, K. (1999) "Out of service" *Property Week*, Vol. 64 (8) 26 February, 32-34.
- McGee, T. (1984) *Service Charges in Property Report No 1 Office, Retail, Warehousing and Industrial Property*, CALUS Research Report, College of Estate Management, Reading.
- Miller, M.H. and Upton, C.W (1976) "Leasing, Buying and the Cost of Capital Services", *Journal of Finance*, Vol. 31 (3) 761- 786, June.
- Prodders, L. (1992) "Facing up to Responsibilities", *Estates Gazette*, Issue 9238 102, 26 September.
- Raftery, J. (1991) *Principles of Building Economics*, BSP Professional Books, Oxford.
- Rees, R. (1985), "The Theory of Principal and Agent :Parts I and II", *Bulletin of Economic Research*, Vol. 37 3-26 & 75-95.
- Ross, S.A. (1973), "The Economic Theory of Agency: The Principal's Problem", *American Economic Review*, Vol 63 134-139.
- Rowland, P. (2000a) "A Sad State of Repair: Responsibility for Maintaining Leased Business Premises", *Legal Issues in Business*, Vol. 2 27-34.
- Rowland, P. (2000b) "Pricing lease clauses: the prospect of an art becoming science", *Journal of Property Investment and Finance*, Vol. 18 (2) 177-195.
- Rubin, V (1997) *The Business Occupier's Handbook*, E & FN Spon, London.

Salway, F. (1986) *Depreciation of Commercial Property*, CALUS Research Report, College of Estate Management, Reading.

Silman, G. (1998) "Questions of maintenance", *Estates Gazette*, Issue 9824 13 June, 116-118.

Stephen, F.H. (1988) *The Economics of the Law*, Wheatsheaf Books, Brighton.

Standing Committee on Industry, Science and Technology, Report by the House of Representatives (1997) Finding a balance Towards *fair* trading in Australia, 1997, Australian Government Publishing Service.

Taylor, P. (1990) "Institutional Tenant has Distinct Needs", *Estates Times*, Issue 1045 4 May, 18.

Taylor, P. (1998) "Putting a ceiling on what you'll

pay", *Estates Gazette*, Issue 9750 13 December, 76-78.

Vivian, J. (1998) "A look at who is responsible for repairs", *Property Week*, Vol 62 (9) 13 March, 30-31.

Vorst, A.C.E (1987) "Optimal Housing Maintenance under Uncertainty" *Journal of Urban Economics* Vol. 21 209-227.

Williams, J.T. (1994) "Chapter 2 The economics of maintenance" in Mills, E.D. (ed.) *A Guide to Design and Management*, Oxford, Reed Educational and Professional Publishing Ltd.

Williamson, O.E. (1979) "Transaction Cost Economics: The Governance of Contractual Relations", *The Journal of Law and Economics*, Vol. 22 (2), 233-261.

Zankel, M.I. (1991) *Negotiating Commercial Real Estate Leases*, Real Estate Education Company, Chicago.

PROPERTY- make it ||| u

I WISH TO SUBSCRIBE TO THE PROPERTY BUSINESS MAGAZINE FOR
\$39.60 (6 ISSUES)

NAME

AntRFCC

TELEPHnNF

EAX

VISA

AMEX

DINERS

MASTERCARD

CHEQUE HEREWITH Degoepayablem:appaish ghd

roan Nn

FYPIRV IATF

CICNATHISF

ffe ? r v a l i d f o r t m o n t h s f r , u x m » p t i L i . ∴ .

Ci7MPL.ETETtUSI .i ,t,ltfiA'DRE D)FtNI=e

AGieM SUMRtF11U,a.9, k'REEr S1 1 ,19, PRiV.4t f EA (, 50 < ,;n NiAWAAAI A' t t, A U 5V AND tax 05 848 8742 ar emeti: a9M10b9m.Co,iu

M

nl"U/ rF cl ◆(11◆:'

'JCIUAIA!

Public body leases and valuations

Quote from the editorial note from the judgment of Justice Roper and Ralph Frizzell in the case of Associated Taverns Ltd and the Commissioner of Crown Lands in June 1983 relating to the values for freeholding.

"We consider that a lease under the Land Act is essentially an agreement between two parties to carry on a business, of which the Crown, in this case, provides the land (for which it receives a rent) and the company provides the capital (for which it receives the income less the rent).

The Crown receives a fixed term rental of 4.5% on its resources and the company receives the remaining income on its resources.

Inequality would result where the value of either party's resources produced an unduly large or small share of the total income available, now and in the foreseeable future.

To this extent the land resources should be utilised freely by the investment of appropriate improvements to achieve this. The lessee should not be expected to pay a rental based on unexploitable short term potential use of the land, and conversely the lessor should not be expected to forgo his fair share of the income from the land and provide a return on inappropriate development to the lessee. The lessor further should not be expected to forgo income because of the inferior management skills of a lessee."

For rural leases are we now looking at the carrying capacity of the land exclusive of improvements, the present developed carrying capacity apportioning the calculated returns accordingly then capitalising the Crown and lessee's share at their appropriate rates.

This proposal appears to suggest a specialised form of productive valuation and would be extremely sensitive to:-

Farm cost structure,
Price variation and
The fixing of capitalisation rates.

This is an interesting and informative case highlighting the problems associated with the LEI assessments. The emphasis appears to move to a fair balancing between the lessee and lessor, and the provision for an equitable rental."

A lease creates two land estates from one freehold estate, each estate is held by different people, one referred to as the lessor the other the lessee. In a freehold estate the possession rights are held for an indefinite time and include the rights of sale and rights to pass on to heirs.

The essential element of any lease is the specification of the time of possession of the land for the lessee.

In any lease there are two parties involved, and two items - land and rent.

Person who grants possession Landlord/Lessor
(who receives rent)

Person who receives possession Tenant/Lessee
(who pays the rent)

Definition of a lease

- to grant possession of property to another for rent for a specified time.

- a contract of possession of property for a specified time.

A lease is in effect the "sale" of some of the rights to land in exchange for periodic rent for a specified time.

Elements - land possession
- rental payments
- a termination date

One of the great advantages of leases is there is almost infinite scope to vary the terms and conditions.

A lease can be tailored for almost any situation, to achieve any ends, the 999 leases in perpetuity and cross lease titles are two examples of the flexibility of the lease as form of tenure.

The ultimate in long term leases are often referred to as ground leases or "Glasgow leases". They have the characteristics of:-

- Perpetual rights of renewal

- Lease of the land only excluding improvements

- Lessee establishes and maintains the improvements

Long term arrangements with long periods of fixed rents, often with substantial rent savings accruing to the lessee creating "goodwill" value. The lessor usually provides for compensation for the improvements if the lessee surrenders the lease.

Low risk, stable, easy administered investment of moderate return for the lessor

Examples of these leases are Public Bodies Leases Act leases (sec 7d h and sec 1 lb), Crown renewable leases, Pastoral leases, Maori Reserved Land Act leases and Maori Vested Land Act leases.

The popularity of these sorts of leases has been declining in recent decades that is for those who have the option to sell or freehold. Expertise in the management and administration of long term leases is also declining with less administrators, lawyers, valuers experienced in ground lease management. Add to this a lack of understanding by lessee's and lessor's of what they contribute to the lease and what returns they can expect from the leasing agreement.

This decline in popularity has been driven by dissatisfaction, especially on the part of lessor's as to their returns in the form of rent from their investment. In recent decades we have seen many changes to ground leases eg free holding of LIP'S, Land Act Amendments of 1970, pastoral lease restructuring and MLRA 1997 amendments. Yet, despite all these legislative changes, disputes between lessor's and lessee's is still of great concern with the costs of these disputes adding to the dissatisfaction.

Quote from a publication by Leone Freeman 1993: "this form of tenure is a common, but poorly understood form of land ownership in New Zealand, and the review of these ground rentals is an extremely contentious area. This is evidenced somewhat by the number of property arbitrations centered on this fact far more than any other form of property dispute".

In a ground lease what are the contributions of the parties and what is the nature of their relationship?.

To answer that an understanding of the contribution by the lessor to the lease and hence a description of the terms land exclusive of improvements (LEI) and unimproved value (UV) are required.

The land is essentially the lessors contribution to the lease.

Land exclusive of improvements is referred to in the PBLA and the Land Act but no definition is

provided in either act. Maori land acts refer to the unimproved value which does have a definition in the old Valuation of Land Acts. In essence the UV definition is the value of the current market state with the clause "as if no improvements had been made" added onto the end.

This is not a difficult task when the improvements are structural improvements and can be readily identified. It is much more difficult when the improvements are development and can not be seen or identified by inspection. This is a common problem, especially on rural land where they are often referred to as the "invisible" improvements.

The problems in identifying the development improvements and the large amount of disputes which occurred was the reason why those definitions were removed from most legislation, except they remain in all ground leases.

For most properties there is little difference between the two terms. What they do have in common is they are not well understood by both lay people and professionals. The LEI (or UV) is however the major component of the lessor's contribution to the lease. A lack of understanding of the lessor's contribution is likely to be the cause of many of the disputes over rentals and dissatisfaction with leases.

The LEI and UV are comprised of the basic land resources of the property:

- The land area

- The location (situation, amenities, services, RMA, zoning, infrastructure)

- The soils

- The climate

- The physical characteristics (elevation, contour, aspect)

These are all viewed in a state excluding the improvements. (or "as if the improvements had not been made" in the case of UV)

The most important dimension to the definitions is that of time. Excluding the improvements is not a process of going back in time to a point where no improvements had been made. That would fix the basic resources in an historic time warp where there would be little demand (a smaller, less wealthy and less knowledgeable population) to develop the land beyond its original cover. (whatever and whenever that original cover was).

These states of land described as LEI and UV are contemporary in time; to determine them is a process of envisaging the basic resources in a modern context with all of the current technology, building technology, animal breeds, plant cultivars, human populations, and infrastructure. The most important aspect of the lessor's contribution to the lease is what the land can be, not what the land was. What it was in history is largely irrelevant.

Quote of Murray Mander in Robertson case 1958. "In arriving at the unimproved value I have imagined

Mr Robertson's property alone to be in its unimproved state with the remainder of the countryside in its present state"

This component of the lessor's contribution is referred to as potential or land use capacity. It is in essence the combination of the basic land resources into a platform for the lessee to develop and grow their business on the lease land. To do this the lessee must make the decisions and provide the capital to effect the improvements, and operate the business.

Land use capacity is defined as any use of land which shows a surplus of returns over the costs of utilisation. In simple terms - any use that shows a profit. Some land by virtue of its resources has many land use capacities, some land has only a few or only one, and some has none; we call land with none "barren and waste". While land may have a variety of uses which will show a profit, there is only one use that will show the greatest profit or surplus over the costs of utilisation. That use is known as the highest and best use.

This concept of highest and best use is the basis of most decisions that are made about the use and value of land, yet it is complex, multi-dimensional and often not well understood in our community.

In respect of leases the highest and best use is the use of the land in the lease which provides the most benefit to both the lessee and the lessor. If the land in a lease is used at the highest and best use then we maximise the mutual benefit to both parties. It is the continuation of this mutual benefit, to the parties to the lease, that ensures the long term survival of the lease arrangement.

Note that the lessee, in the running of the business, has the responsibility of recognising the highest and best use, providing the capital and management to implement the use and has the ongoing responsibility to maintain the highest and best use (change the use and the mix of improvements if the highest and best use should change the risk of the investment in the improvements is taken by the lessee). The lessor enhances the investment environment for the lessee by including in the lease clauses such as:-

The right of sale of the lessee's interest
compensation for improvements effected or
purchased by the lessee in the event of termination
The right for the lessee to have the rental assessed
excluding the improvements.

The lessor provides the platform for the lessee to do that but has no control over the business and hence the use of the land. The lessor is entitled to receive a rental based on the highest and best use of the land even if the lessee chooses to operate the land at something less than the highest and best use. Also if the lessee is able to make profits over and above the highest and best use through special skills applied to the business then the lessor is still

only entitled to the rental based on the highest and best use.

The rental is the amount of rental that is based on the lessor's contribution to the lease. Many of the disputes over rentals stem from the misunderstanding of what the lessor (and the lessee) contribute to the lease, especially on the part of the lessee.

"Rent" the amount lessee pays periodically for the land possession rights received;

The amount lessor receives in return for granting the possession rights.

In long term leases the concept of "market rents" is difficult to apply using the comparable market rental methodology. Once the lease begins, there is no continuing option for either party to test the market by terminating and moving on, as there is in a residential tenancy. Both parties to a ground lease have made long term commitments and investments in the lease and are to a large extent "captured" by the lease.

There are very few new leases where the parties freely enter into a lease agreement to provide indications and comparisons as to the level of market rents. Very few existing ground leases have options where the lease renewal requires public competition through the calling of tenders or at auction for the renewal of the rent.

The most common method for setting the rents at the reviews is the rental rate method. This involves a multistage process, the first of which is to assess a market value of the LEI or UV (the lessors contribution to the lease), the second to determine a rental rate (% of LEI), and the third stage is to apply (modify) the rental rate or value to the specific property and type of lease. Every one of these three stages is fraught with problems. There is virtually no land still in its LEI or UV state (ie, without any improvements). There is even less chance of land in this state actually selling on the market to provides comparable sales to assist in determining a value. Assessing the market value becomes a matter of opinion rather than a statement of fact with limited or no sales evidence to support that value.

Quote from the Associated Taverns case: "We recognise [that] the problems of obtaining comparable sales of land in the undeveloped state...". "In our opinion therefore the first proviso require the valuer to be sure that the division of values when they are made where there is little or no direct sales evidence shall be carefully weighed to provide a fair balancing of values between the lessor and lessee."

There is no clean market evidence as to the rental rate as almost all computed rental rates are influenced by the specific circumstances of the lessee and lessor in the lease. Even worse they may also be contaminated by the relative bargaining strengths of agents, valuers or arbitrators that have become parties to a rental dispute.

Lastly there is no clear way to modify a rental for a specific property or specific lease clause. Limitations in the lease which prevent the lessee attaining the highest and best use, will have an impact on both the rental, and the improvements which are effected by the lessee.

The other issue often confronted in this third phase is the value associated with the subdivisional potential of the land. A lessee cannot exploit this component in a business operation. A sublease may be possible but not practical. (Note: The Associated Taverns dispute over LEI values for free holding quoted at the beginning of this paper was about subdivisional potential the value of surplus land in a lease situated in the Bishopdale shopping centre in Christchurch).

In summary there are problems in the complexity of the LEI and UV. There is also the misunderstanding of what is the lessor's contribution to the lease and how that contributes to the lessee's business. There is then the problem of determining the rental which should be based on the lessor's contribution.

This combination of factors and the lack of clarity and uncertainty could be described as fertile ground for continuous conflicts or disputes.

The traditional approach to the setting of the rents for ground leases is therefore at the route of the problem. The value of the LEI (or UV) with a % rental rate is no longer the only or appropriate method to determine the rent. This method is failing as evidenced by the steady decline in ground leases in recent decades, the high incidence of arbitrations and court disputes, and the now widespread dissatisfaction with ground leases by both lessors and lessees. The current system also breeds advocacy further exacerbating the problem. The current approach leads to too much time and money being spent on advocating their own situation without reference to the other party to the lease.

The solution is to move towards more recognition of the partnership in the land between the lessee and the lessor. Create a situation where the parties to the lease are working with each other for common goals, recognising the others input and situation and more directly managing the lease so that both parties, over the long term, continue to gain benefit from the leasing arrangement.

To achieve this, the key is for both parties to be satisfied with the amount of rent. The rent, after all, is the main mechanism which can be altered from time to time to maintain the flow of benefits to the parties to the lease arrangement. The rent setting need not only be based on the value of the LEI but should also be based around the business being undertaken on the land. That would involve a much more detailed economic analysis of the business and a process allocating the benefits from that business fairly. Ideally this would need to be done by a person who is truly

independent and who possesses the skills to do such an economic analysis.

There are only 4 ways to set any rental:-

- Market comparison
- Annual % of value of lessor's contribution • Profit share
- Mutual agreement

The first two of these has proven to be inadequate - that leaves only the last two.

Note that the Public Bodies Leases Act 1969 does not specify the method which must be used to determine the rent nor does it refer to a % of the LEI or the term market rent. It simply refers to "fair annual rent" as the basis of the rental.

For all its faults one great advantage that a lease has is that you can virtually do anything you like as long as it is by mutual agreement.

Actions a lessor can take to maintain their interest in the lease:-

- 1) Maintain good records, current lease copy, log lessee contacts
- 2) Perform administration on time, diary of obligations, bring up files eg, 9-3 months
- 3) Visit the lessee periodically remind the lessee of your interest in the land, of them and their business.
- 4) Observe land use, observe covenants are complied with, record with photographs of property imps.
- 5) Make a point of calling on lessee in the two years prior to any rent review it is a partnership treat it like one
- 6) Maintain good relations with lessee, cordial, formal, yet make them aware of your interest.
- 7) Hire independent experts when problems arise - negotiate - there is always lots of scope for negotiation.
- 8) Periodically assess the clauses in the lease and redraft where necessary at renewal especially where the clauses may prevent the lessee achieving the highest and best use.

The lessor needs to be more interested in the business which the lessee operates on the lease; it is that business that is the source of the funds which pays the lessor their rent.

Recognise that the long term survival of a lease is to maintain equity to both parties. - if both parties do not continue to derive benefit from the lease then in time that lease will fail or the parties to it will change.

A ground lease is a partnership in the land and like all partnerships there is only one scenario that ensures survival "win - win" any other combination that involves the word lose will ultimately become "lose lose".

Advocacy will inevitably result in disputes (which are invariably expensive). Try and keep differences out of the hands of advocates, at least initially. The most powerful advocate to advance your interests in a lease dispute may not necessarily ensure long term success.

The best professional advice is that which is taken before the dispute arises, not during or afterwards.

If long term ground leases are going to survive, and the current trend of declining numbers is that they will not, then we have to change the way in which we set rents. The long term survival of the lease is dependant on one simple concept, both parties to it must continue to derive a benefit from the leasing agreement. It is a form of partnership and to survive needs to be treated like one.

As a party to a long term lease, fighting over how big your portion of the pie will be, is not as productive as putting your efforts into growing the size of the pie. Growing the size of the pie is often easier if its done by co operation the other party to the lease.

About the author: *Ced Croft is a senior lecturer of property studies at Lincoln University where he has been employed for the last 25 years. He holds a B.Ag.Com from Lincoln, completed in 1973, and worked in rural securities in Southland and Northland prior to commencing work for Lincoln. In the last decade he has specialised in lease*

administration and valuation and has *acted* as a consultant on native land leases in Fiji and Maori *Reserved Act* leases and has acted as a arbitrator in public bodies leases. His current *research* interest is a *series of surveys of the ethical beliefs of property professionals* in New Zealand and the United States.

Compiled by *Ced Croft, Lincoln University, for the Local Government Property Managers Conference* Ashburton, 2002

References

Public Bodies Leases Act 1969
 Maori Reserved Land Act 1955
 Maori Vested Lands Administration Act 1954
 VG Vs Roberston
 CCL Vs Associated Taverns
 Ground Rentals A National and International Perspective by Leone Freeman
 Modem Valuation methods William Shenkel
 Land Resource Economics 41' Ed Raleigh Barlowe

NEW ZEALAND
p **roperty**
 INSTITUTE

NZPI JOBmail
 A weekly service to all
 members advertising jobs
 available in the property
 profession.

www.property.org.nz

Management strategies and competitive advantage within New Zealand's land-based industries

Introduction

Strategic management theory teaches us that there are two broad alternative ways to achieving a competitive advantage.

One approach is based on product differentiation, the other on cost leadership. In general, product differentiation is based on unique product attributes that are able to be branded, or protected in some other way as intellectual or trade property. In contrast, cost leadership is typically resource based. Either way, the competitive advantage has to be sustainable. There have to be mechanisms whereby managers can keep ahead of business competitors (Porter 1985, Barney 1996).

The past two years have been remarkable ones for New Zealand's land based industries. There has been a favourable alignment of exchange rates, commodity prices, and interest rates that has not been seen for at least 25 years. With a few exceptions, such as apples and perhaps forestry, it has been hard not to make a lot of money both as cash and capital gain. In an environment where everyone has been succeeding, it has been easy to forget about competitive advantage. It would be more than remarkable if the years ahead were as easy as the last two.

Industrialisation of world agriculture

The world around us is changing. At times these changes occur so gradually that it is possible to fool ourselves that the changes are not important. But change is inevitable and inexorable. We need to reflect on the nature of some of these external forces.

The term "industrialisation of agriculture" became popular following Tom Urban's 1991 article in *Choices* magazine (Urban 1991). By industrialisation, he meant the linking of production, processing and marketing through contractual arrangements and with product branding. Many other writers have subsequently picked up on the term, and linked it to commercial attitudes, increasing scale, declining importance of the family farm, and forces of globalisation (Barry 1995)

Arguably, some of the forces for industrialisation

have been slower to have an impact on New Zealand agriculture than has been the case in the United States, or perhaps even in Australia. Our pastoral-based agriculture, with its demands for day by day reactive decision making and a high level of production volatility, is not particularly easy to mould within a large-scale corporate framework. Also, the production variability associated with pastoral agriculture creates particular challenges for market-led value chains. Industrialisation has been a lot easier to achieve with pigs, poultry, beef feedlots and cotton than it has been with lamb, pastoral beef and apples. But change is occurring. Our farms are getting larger and more capital intensive, and there is a slowly emerging trend for management and ownership to be separated. These trends are particularly evident in dairy farming, high country farming and the wine industry. And across all sectors of agriculture we are seeing increasing emphasis on agribusiness chains. Transactions based on long term contracts and the sharing of information are gradually taking over from the old style auction and the spot market.

The reasons for the development of agribusiness chains are not hard to identify. The issue of food safety, which is becoming increasingly intrinsic as a brand characteristic, requires traceability from markets back to production activities. Marketers have to be able to demonstrate linkages and quality management systems back through the chain.

The agribusiness world is slowly developing into a place where the competition is not so much between firms but between chains. This has created opportunities for some firms to take on the role of chain captaincy with associated opportunities for the capture of economic rents (Westgren 1998). Typically, the chain captain is the entity that owns the brand. For producers, the challenge is how can they capture at least a share of these economic rents, ie, a so-called "fair share" of the profits. Of course in reality there is nothing fair about love, war or business. What is "fair" depends totally on one's perspective. The reality is that the profits go to those firms within a chain that have a

dominant position, ie, the chain captains. And in most cases producers lack the scale and power to take on such a role as individual firms.

A consequence of this is that for a typical agribusiness firm with a production focus there are no opportunities for product differentiation. This is certainly the case for most dairy, sheep, and beef farmers. And it is also the case for many grape growers, apple growers and kiwifruit growers. These issues of product differentiation have to be dealt with at the aggregate level and typically require both horizontal and vertical integration. The horizontal integration gives the scale that makes vertical integration feasible.

I will return to these issues of horizontal and vertical integration, and the opportunities they can provide for chain captaincy and economic rents, at a later stage in this paper. At this stage the point I want to emphasise is that for most farm businesses that are operating individually, the opportunities for product differentiation are very limited. For individual farm businesses the opportunities for competitive advantage relate primarily to cost leadership.

Strategic management at the level of the farm

To reiterate, for most of New Zealand's land-based industries, based as they are on export markets, there are no significant opportunities for product differentiation at the farm gate. It requires linkages further down the chain before this can occur. Accordingly, at the farm level there is a need to focus on cost leadership. This means having costs per unit of production at a lower level than competitors' costs. These competitors are both other New Zealand farmers and overseas producers of the same or substitutable products. The reason that other New Zealand producers are competitors is that when times are tough there is always only a proportion of producers who get "weeded out". The key to survival is to not become one of the weeds.

Cost leadership means having low costs per unit of output, be it per kilogram of milk solids, or per kilogram of lamb meat, or per kilogram of wheat. It does not necessarily mean having low costs per cow or per ewe or per hectare. Indeed, it is often the producers who have high costs per hectare or per animal that have the lowest costs per unit of output.

Focusing on cost leadership does not imply that quality is unimportant. Ensuring that products meet market specifications is of course extremely important. Customer requirements have to be met, and farmers will be paid based on quality. That means different prices for different product specifications. But the reality is that most farm products are essentially commodities at the time they leave the farm gate, despite being differentiated by product specification. There is nothing wrong with being a producer of commodities as long as this production is associated with cost leadership.

Simple production economics theory teaches us that profits are maximised by operating at the point where marginal revenue equals marginal cost. Both the marginal and average costs are likely to be above the minimum at this point. But this story can sometimes be just a bit too simple. The reality of most rural industries is that there is considerable price volatility. It is difficult when product prices decline to quickly reduce costs and output to the new level where $MR=MC$. It can be argued that the best strategy is to focus on minimising costs per unit of output.

In New Zealand we don't talk a great deal about costs per unit of output. Instead we talk about gross margins per hectare or per stock unit. Or sometimes we talk about economic farm surplus (EFS), either per farm or per hectare. We may occasionally talk about costs per stock unit (essentially a return per unit of feed demand), but I don't hear too many people talking about their costs per kilogram of lamb meat produced (i.e. per unit of output.) I find this a contrasting situation to some other countries and industries.

For example, every few months I make a visit to Papua New Guinea as part of a New Zealand Government aid project that I am involved with. One of the people that I regularly spend time with manages a cocoa plantation of about 1000 hectares. This manager does not talk about his profit per hectare, because as a commodity producer he knows that the price is volatile, and his profits in any one year will be determined much more by the vagaries of the international market than by anything he does himself. But what he can and does focus on is the costs of cocoa production per kilogram of output. These are the things that he can control and against which he can measure his efficiency. He can reel off the production cost per kg of output for each of his many blocks, and he can split it up into production costs, harvesting costs, and drying costs. In the New Zealand context, it would mean that we would talk about costs per kilogram of milk solids, or costs per kilogram of lamb, beef or venison. And we would measure our productivity improvements by measuring how this cost, after adjustment for inflation, declined over time.

Over the last few years we have heard so much about the need for 4% productivity improvement each year, but the basis on which some of these calculations are made is more than a little doubtful. It is a bit like the All Black who last year stated that if each player improved his performance by just 2%, then the overall team performance would go up 30%! If a farmer is really achieving 4% productivity improvement each year then it should be measurable as a 4% decrease in the per unit costs of production, after making allowance and adjustment for the effects of inflation.

In practice this 4% productivity improvement is a very tough target. More realistic as an ongoing rate might be 2% per annum.

So what I am suggesting, is don't focus all the time

on gross margins and economic farm surplus. Instead focus on costs per unit of output. In so doing, we will not only be following the path of management thinking used by my PNG friend, we will also be following the line of thinking of the leading international oil firms, and even some of the surviving telcos. It may not sound very exciting, but it is good business sense. And some of the ways of achieving this cost leadership may indeed be quite exciting, because cost leadership is unlikely to be achieved by cutting inputs.

So what are the strategies for cost leadership? Given our historical lack of focus on this question within New Zealand farming, I can not give too many definitive answers. But there does seem to be empirical evidence that there are, or at least can be, cost savings associated with large rather than small farms. Efficient utilisation of plant, having good gear but only necessary gear, and high output per unit of labour, all seem to be some of the keys. And I am also intrigued by some farm-based but less than fully documented evidence that it is the farms that have the high fertiliser expenditure per hectare that seem to have the lowest total cost of production per unit of output. These would seem to be some fields of inquiry that would be fertile for management research.

Presumably there are also some management characteristics that are associated with cost leadership, but identifying these characteristics has always been a challenge. My own hypothesis is that the efficient managers tend to be those who have internalised the iterative management process of planning, implementation, monitoring and analysis. This management process has to be energised by ongoing inputs of new external information obtained from observation (including "looking over the fence"), and reading, and listening.

I emphasise the concept of internalisation. It seems to me that the most efficient farmers are not necessarily those who spend a lot of time in formal planning. Once the management cycle is internalised then it becomes part of everyday life, going on in the background while out in the paddock, driving down the road, and even in the shower.

Last year one of our Masters students at Lincoln University, Andrea Verissimo da Fonseca, undertook a dissertation looking at the behaviours of six top performing sheep and cattle farmers in Marlborough, Canterbury and Otago (Verissimo da Fonseca, 2001). The farms were selected on the recommendation of a well known farm accountant, Pita Alexander. Pita Alexander was asked to identify six of his best performing clients, who had medium to large scale operations, and who were consistently in the top group of performers based on returns on capital. Perhaps we should have asked for six farmers who had the lowest cost of production per unit of lamb, or beef, or venison. But our thinking at that time wasn't particularly along the line of cost leadership, and in any

case our leading farm accountants don't seem to be benchmarking on that basis.

Verissimo found that all of these top farmers do a great deal of reading. Most of them read for about an hour a day, but some more than this. They "skim read" a lot of material and then focus in on what is important. They are all very skilled at sorting out the "wheat from the chaff. These farmers visit lots of farms, ranging from six to more than 30 each year. They also have social networks which put them in close contact with other top farmers. They are constantly seeking new information, asking questions, and benchmarking their own performance against other farmers.

All of these top farmers showed a passion about farming. They did not show up as particularly entrepreneurial, or first movers, but they did show up as being very good at picking up new ideas from other people. If they see another farmer doing something interesting then they will observe closely, and perhaps ring up and ask about it. They then try out ideas on their own farm, first in a small way, to make sure that it will work on their property. Although not the first to try out a new idea, they tend to be early adopters. They take their time to "brew" the big decisions, but have the confidence to then move decisively.

When I reflect on the generalisations that emerge from this study, I note the congruence between these management styles and the principles of adult and action learning. The theories of adult learning say that most of us learn by experience but we do so with widely variation in efficiency. The better learners operate by observing, planning, trying something out (initially often in a small way), then monitoring, and thinking about the results, before moving into another cycle of personal research, planning and action.

Within the discipline of agricultural extension, a major focus internationally over the past 10 years has been to help farmers to become more efficient adult learners. It is a thrust that has been largely unnoticed in New Zealand, where our commercial extension focus has remained focused primarily on technology transfer and consultancy. But times are changing. My contention is that if we wish to raise the standards of the average and lower performing farmers, then we need to find ways to make them better adult learners. We need to help them to internalise the process of planning, implementation and monitoring, combined with reflection about what their experiences mean, and moving on into another iteration.

This concept of the management cycle has been around for a long time. In a simple form it was taught to me as a Lincoln student in the 1960s. But it tended to be seen as a formalised process rather than an ever-present way of thinking. And back in those days we did not have anywhere near the range of monitoring tools that we now have to close the management loop. The collective impact of soil tests, plant nutrient tests, animal parasite tests, soil moisture tests, ultrasound pregnancy

scanning, and even electronic scales, has done much to change farm management from an art to a science. There are more monitoring tools in the pipeline.

It is the development of these same monitoring tools that has created increasing opportunities for "hands off" management. What I mean by "hands off" is that it is possible for a manager to "keep tabs" on what is happening, much more easily and from a distance, in ways that were never possible in the past. This opportunity is facilitating the move to larger production units. And this in turn will facilitate increasing separation of ownership from management from labour.

Strategic management across the agribusiness chain

Arguably, it is at the level of the agribusiness chain that we are going to see the most dramatic changes in the years to come. The process of industrialisation is going to continue. We are going to see all of our major industries integrated from markets back to the paddock or the field. The questions are who is going to do the integrating and who is going to be a chain captain?

Some producers will opt out of taking an ownership stake in an integrated chain, but in the process they will ensure that their destiny is to be recipients of commodity prices. As previously indicated, there is nothing wrong with being a producer of commodities if you have a sustainable competitive advantage based on cost leadership. But there is everything wrong with being a commodity producer if you don't have a sustainable cost advantage. Those producers who wish to cede ownership at the farm gate will find increasingly that they will be contract growers. The importance of auctions and open markets is likely to further decline.

If producers wish to obtain some of the economic rents associated with chain captaincy then they have to give serious thought as to how this can be achieved. In practice the simplest way is often through forming a business co-operative.

To talk about co-operatives is to immediately polarise an audience. There are those who are for and those who are against. There is indeed a level of irony in the idea that the co-operative model, which has been with us for more than 150 years, provides a vehicle by which farmers can participate in the modern processes of agricultural industrialisation.

In any debate about co-operatives, it is important to recognise that a modern co-operative is simply a particular type of company where the shareholders are the suppliers or purchasers of goods. In the case of a marketing co-operative such as Fonterra the shareholders (or members) are the suppliers of goods. In the case of a supply co-operative, such as the Ravensdown Fertiliser Co-operative, the shareholders are the purchasers of the goods.

The modern New Zealand Co-operative Act is essentially a piece of legislation that bolts onto the New Zealand Companies Act. Co-operative companies are

bound by the same principles as other companies except that their profits are paid to suppliers as rebates, and the shares can only be owned by suppliers or purchasers. Most but not all modern co-operatives try to ensure that shareholdings are in line with supply. Where this does not occur then there are opportunities for free riders. In the New Zealand context, Fonterra and Ravensdown both ensure that shareholding is in line with supply but PPCS does not.

It is also important that shares have a 'realistic' value or else distortions will soon develop. However, determining the so-called fair value can be problematic when there is no free market in the shares. In the absence of a free market, valuers typically use the capitalised value of profits as a surrogate. But in a co-operative the aim is not to maximise these profits but to maximise returns to the suppliers or purchasers of goods. There is no simple way around this valuation problem. In the case of Fonterra, the so-called fair share value is very much an artificial construct and is based very much on a specific set of assumptions.

Obtaining chain captaincy does not come free. If rural producers wish to share in the captaincy returns, then they have to come up with the capital. If they don't want to come up with the capital then they must resign themselves to being producers of commodities who rely on competition amongst buyers of their goods to ensure an economically viable return. Given the fact that the costs of acquiring chain captaincy can be very high, we can be quite certain that the debates about the strategic directions of Fonterra will stay with us.

For those who have a pathological dislike of co-operatives, then many of the same objectives can be achieved by using a non co-operative company structure, but with shareholdings kept in line with supply. But once shareholdings are not in line with supply then it won't be long before producers are no longer the chain captains.

The ENZA conflicts in the apple and pear industry over the last two years show what happens when share holdings in the processing and marketing arm of an industry are not aligned with production. The self interests of the groups within the chain inevitably become conflicting. Apple growers are now dependent on competition between exporters to ensure that they receive a satisfactory price.

Ownership of research and development outcomes, and the associated patents, brands and intellectual property, is sure to be a controversial topic over the next few years within New Zealand's agribusiness industries. If growers wish to be owners rather than purchasers of R&D outcomes, then they will need to put in place the horizontal and vertical integration structures that can make that happen.

The changing landscape of New Zealand agribusiness.

If we were able to look ahead some twenty years

what would we see? How will all these forces impact on the reality of our agriculture sector? It is a dangerous task to prophesise, but I will share some thoughts.

1) Our agribusiness industries will still be based around pastoral agriculture, because it is in pastoral agriculture that we have a natural competitive advantage.

2) Forestry will have increased in importance because once again it is an industry where New Zealand's climate provides a sustainable competitive advantage.

3) The kiwifruit industry will continue to thrive as long as the proprietary rights to Zespri Gold provide us with a differentiated product. In the absence of product differentiation it is doubtful if New Zealand has a sustainable competitive advantage.

4) The apple industry will be smaller than today because we have only limited competitive advantage relating to either varieties or brands, and we do not have the natural basis of sustainable cost leadership.

5) Our wine industry will be much larger than today because we do have a sustainable competitive advantage based on product differentiation. But there may well be lots of casualties along the way.

6) Our production units will in general be considerably larger than today. This will be the case for all the pastoral industries and also for the horticultural industries. Big units will typically win out over small units on the basis of cost leadership, and in some cases through product differentiation. Improved monitoring tools will tip the balance even further towards large units.

7) Management will be increasingly in the hands of professional managers.

8) Ownership will increasingly be separate from management.

9) Ownership will be held increasingly by foreigners. Whether this foreign ownership situation is for better or for worse is something people will have to make up their own minds about. All I am saying is that in a global world the foreign capital will flow in, particularly if New Zealanders choose to be spenders rather than savers. Overseas buyers will see our land prices as cheap and they will consider the investment returns quite reasonable. It needs some thinking about.

10) It is impossible to predict the fate of Fonterra. It could be the jewel in the national crown, or it could be very much smaller than today. A lot will depend on the quality of both the management and the governance. There is no inherent reason why a major co-operative should not prosper and be an outstanding success (Ernst and Young 1995). But the more successful it is, then the more capital will be required to own a dairy farm. That will create its own set of tensions, and may create opportunities for competitors.

Some take home messages

- The future lies with those who can create a sustainable competitive advantage.
- A sustainable competitive advantage has to be based on either unique product attributes (typically encapsulated within a brand), or on cost leadership using resources that competitors cannot acquire except at high cost.
- There is nothing wrong with being a producer of commodities as long as it is from a position of sustainable cost leadership.
- Cost leadership requires a focus on minimising costs per unit of output.
- Cost leadership is typically associated with high not low levels of productive inputs.
- Improvement is incremental and is associated with learning cycles. Good managers are those who can best operationalise the principles of adult learning and action learning.
- The industrialisation of agriculture based on coordinated agribusiness chains is an inevitable outcome of external forces.
- Producers wanting a role in chain captaincy must be prepared to integrate horizontally and vertically.

About the author: Keith Woodford is *Professor of Farm Management & Agribusiness*, Lincoln University

This paper was presented at the *New Zealand Institute of Primary Industry Management Conference, June 2002*.

References

- Barney J 1996, *Gaining and Sustaining Competitive Advantage*, AddisonWesley Publishing Company, Reading, Massachusetts.
- Barry P J 1995, *Industrialization of U.S. Agriculture: Policy, Research and Education Needs*, *Agricultural and Resource Economics Review*, vol. 24, no. 1 (April), pp. 129-135.
- Ernst and Young 1995, *Co-operative Theory and Performance*. A Report to the New Zealand Dairy Board, Ernst and Young, Wellington.
- Porter M E 1985, *Competitive Advantage*. Creating and Sustaining *Competitive Advantage*, The Free Press, New York.
- Westgren R E 1998, *Innovation and Future Directions of Supply Chain Management in US Agri-Food*, *Canadian Journal of Agricultural Economics* vol. 46, pp. 519-524
- Urban T N 1991, *Agricultural Industrialisation: It's Inevitable*, *Choices*, Fourth Quarter, pp4-6
- Verissimo da Fonseca A 2001, *Benchmarking and Management Behaviours of Top Sheep and Beef cattle Farmers*, *Case Studies in the South Island of New Zealand*, Master of Applied Science Dissertation, Lincoln University.

Equity partnerships in farming

Introduction

An equity partnership is a joint venture between individuals who have come together to pool their capital and possibly skills to enable the partners to obtain revenue and grow their wealth. Generally, one of the partners is employed as the manager. The ownership structure is a company and the individuals are shareholders with shares held in proportion to their capital invested.

Two years ago The National Bank established a specialist role to work with clients involved in or establishing equity partnerships. One of the benefits of having a such a large share of farming business and a specialist role in this area is that we have been able to gain a wealth of practical knowledge about what works, what does not work, what some of the issues are and how these can be addressed. This paper focuses on some of these key issues rather than the benefits or the future of equity partnerships.

Meeting shareholder expectations

The single biggest issue facing equity partnerships is that they continue to meet shareholders expectations. Equity partnerships that no longer meet shareholders expectations face a difficult future. Do shareholders actually know what each others expectations are? Is the business capable of achieving these expectations? Are the people running the business capable of achieving these expectations? Are the expectations realistic?

If individual expectations are not being met, then people will want to exit. The issue then becomes the ability to exit easily and at full value for their shareholding. If equity partnerships want to exceed shareholders expectation, then they need to be well set up and well run. Some of these specific issues are discussed below.

Ability to attract labour

There is a shortage of labour in rural areas and this is not likely to change. What can change is the ability to obtain and retain appropriately skilled people and have a low staff turnover. A well run business that has

good working conditions will be more likely to attract and retain staff. The symptoms of a poorly run business with poor working conditions are poor labour, insufficient labour, high turnover, stress on remaining staff, stress on the manager, low morale, mistakes and a loss of business performance. The equity partnership must position itself as a better employer than the next farm down the road (this does not mean just paying more). Addressing the areas below will help position the business as a preferred employer

Quality of on-farm leadership

The ability of the farm manager to understand people and what motivates them is fundamental to attracting and retaining staff.

The farm manager is responsible for:

- Farm performance
- Staff performance
- Keeping the board of directors informed

Not only must the manager be able to achieve high levels of feed utilisation and animal performance in a cost effective way but also they must be skilled at getting staff to do this also. At the same time they must be a good communicator and keep the board of directors fully informed. The farm manager who is skilled in all these area is a key part of the venture and can have a big influence on performance of the business.

Quality of business management, property and stock

Governance of the business is very different from farm management and often not well understood. Governance is the responsibility of the directors. It involves decision making, business performance, business structure and process. Directors will influence profitability of the business thorough making well informed and timely decisions. The directors need to be kept well informed by the manager so that they can provide the support the manager needs to do their job. For example, help the manager provide the right conditions for staff, which may require director approval of capital expenditure on housing, machinery,

dairy shed, farm layout or salary budget. A business with good governance will be able to make decisions that are right and timely and will also be able to keep shareholders well informed and manage shareholder expectations.

The ideal would be a well presented and well located property with good working conditions, good milking shed, good housing and reliable machinery. If these things exist, it is easier to attract staff and the pool of labour to select from is bigger. These properties will always be easier to sell.

Good quality stock will always deliver improved profitability and good stock will always command a premium especially when product prices are low and there is a lot of stock for sale. If this is a medium-long term venture then below average quality stock is not a long term solution.

Regular review of shareholder expectations

Shareholders are the key stakeholders and their commitment can make or break the business. As individual shareholder's age and their family environment changes, their own personal and family needs will change. These changes need to be recognised. It is critical that individual shareholder expectations are understood and that these are realistic in terms of what is achievable. The farm manager who is a shareholder is a key person and understanding their goals and developing a plan around this is essential for the long term future of the venture.

Expectations need regular annual review through open honest communication. Shareholders need regular up to date information to give them comfort that their expectations are either being met or need adjusting. In the past two years shareholders financial expectations have been exceeded due to high product prices and appreciating land values, however during the next few years with declining product prices and static land values, can shareholders financial expectations still be met?

Managing with declining product prices

High incomes can create complacency and take the focus off costs. Can businesses adjust cost structures quickly enough to handle drops in income and still deliver the level of profit shareholders expect? High incomes can take the focus away from maintaining strong structures, processes and monitoring. The challenge is to maintain the business disciplines through highs and lows. Regular updating of forecasts will avoid surprises at the end of the year.

Scale

Bigger is not necessarily better. A single 2000 cow farm operation is not necessarily more profitable than a 700 cow operation. Governance required will not change much with the greater scale. But the skills,

attributes and experience required of the farm manager become significantly different. In the very large scale operation the on-farm leader must deal with a lot more people and requires a different level of skill than when dealing with three to four employees. The farm manager is less able to get involved in the day to day operation with all staff. The farm manager becomes the leader of people and must operate at a different level from what they may have experience in the past. To overcome this the management structure becomes more complex. People with the skills to run very large operations are harder to find.

Very large properties (asset value \$10m) will attract a smaller pool of buyers and many of these buyers may be other equity partnerships. Very large properties may, however, have more options to subdivide off smaller parcels of land and have more career options.

The exit process and shareholders agreement

Shareholders who do not fully understand the share transfer and exit process when committing to an equity partnership may be in for some surprises. This needs to be covered in a shareholders agreement. The ability to sell shares as covered in the constitution or the shareholders agreement will influence the saleability and price of shares. The exit process may either protect the exiting shareholder or protect the remaining shareholder. The agreement that offers no protection to the exiting shareholder is one where the exiting shareholder must find a buyer for their shares at the best price. This can result in a price that is a discount from the net assets of the business. To avoid this discount the business needs to be exceptionally well run and delivering superior returns to shareholders. Alternatively, the exit process may enable the exiting shareholder to trigger the liquidation of the company if they are unable to find a buyer for their shares after a set period of time. This is quite common in modern shareholder agreements.

Develop a good business structure

Some equity partnerships will be able to tick off all these measures and say they score very well. As a result they will be best set up to adapt to the changing environment and changing shareholder expectations. Equity partnerships that do not score so well in some areas will want to be extra strong in other areas to outweigh their weaknesses. These things are dynamic and those that put the most effort into maintaining good business structure will have the best opportunity to achieve long term goals for revenue and wealth creation.

Good advice based on practical experience is important to make sure that the equity partnership is set up with every opportunity of success. It is therefore important to understand why people are considering involvement in such a venture.

Cashflow and capital appreciation

Different types of farming enterprises will meet different peoples needs. Equity partnerships are most common in specialist single product type industries that are easily understood such as dairy, deer, fine wool, grapes, forestry. All have a different mix of cashflow and capital appreciation. For each individual they will have a different level of personal interest. These things will influence which industry meets individual needs. For example, dairy farms have shown good cashflow returns and capital appreciation. Sheep and beef has shown a bigger range of cashflow returns depending on production mix and a big range in capital appreciation due to location and other potential land use. Vineyards have had mixed cashflows depending on stage of development and expansion and good capital appreciation. Forestry is providing long term capital appreciation and no cashflow until harvest. Within each industry there are big ranges in returns due to different performance levels. The opportunity for an equity partnership is in

achieving a higher level of performance than the individual would on their own.

The equity partnership type of structure will continue to be a regular type of ownership entity for large scale farming operations across all industry types. The trading of shares in these companies will become more common. Well set up and well run operations that deal effectively with the issues discussed above will be able to successfully trade shares. Those companies that fall short in some of these areas may well find shares are hard to sell or sell at a significant discount. Despite all the possible pitfalls there are many rewards to be gained from being involved in an equity partnership.

About the author: Phil *Handford* is equity partnerships manager for *The National Bank*. He has worked in rural banking for 20 years and has held senior roles with *The Rural Bank* and *The National Bank*. *Handford* is chairman of two equity partnerships, a large scale dairy unit in *Otago* and a vineyard development in *Central Otago*.

NEW ZEALAND
p *roperty*
 INSTITUTE

Need a Registered valuer,
 property consultant,
 plant and machinery
 valuer, manager, plant or
 facilities manager?

Use a registered NZPI
 member.

.property.org.nz

Future ownership options

Introduction

Within my own client base up to five years ago most farmers would have been farming as sole traders or partnerships. These structures are generally well understood and relatively inexpensive to administer.

The most significant factors that have brought about changes to the way my clients do business are:

- The Matrimonial Act and more recently the Relationship Act.
- Rest home subsidies and the fear of the reintroduction of death duties.

Clients having the profitability to deal with succession requiring thought to be given to moving forward with more appropriate ownership vehicles even if this results in some short term financial cost.

Better taxable incomes and a reluctance to pay higher rates of tax.

The discussion is to look at other options for a new structures for the future. In order to do this it is helpful to summarise the major features, advantages and disadvantages of the options available. These are:

Partnerships and sole traders

Companies

Trusts (non-trading)

Trading trusts

The following commentary summarises these features and is based on the Advanced Business Structures papers given by Graham Brown of Brown Glassford & Co at the SIDE in 2001.

Partnerships and sole traders

Advantages

- Simple
- Inexpensive to establish and administer
- Decision making and administration kept "in the family".
- Control maintained by founding family members.
- The following aspects of The Income Tax Act do not apply to partnerships and sole traders.
 - Fringe Benefit Tax relating to benefits provided to owners.
 - Deemed dividends.
 - Issues relating to overdrawn current accounts.
 - Carry forward rules regarding losses and

imputation credits, which can be lost with a change of shareholding in a company.

Disadvantages

- Governance rules may not be adequate for multi-owners particularly if they are not related. For instance, shareholders agreements are usually more comprehensive in setting the rules for running the business, distributing profits and the future sale by one or more owner.
- Owners may be exposed to higher marginal tax rates than would apply if taxable income was spread between more taxpayers.
- Unable to "skip a generation" with the transfer of assets.
- Assets are owned personally, leaving the owners open to claims from creditors, and to claims under the Relationship Property Act.
- Personal ownership of assets leads to higher value of estates and potentially less eligibility for government funded benefits, eg, rest home care, government superannuation, student allowances.
- Entry and exit of investors or family members requires the sale and purchase of the assets themselves. This can lead to taxation consequences such as taxable depreciation recovered on plant, vehicles and buildings, and taxable profit on the sale of livestock.

Companies

Advantages

- Future transfer of ownership of assets becomes easier involves a share valuation, then transfer of shares, rather than the transfer of assets themselves. This can lead to tax savings relating to the transfer of the assets themselves.
- Liability of shareholders is limited to the value of unpaid capital. Main sources of potential liability are trade creditors, third parties affected by the company's actions and environmentally related issues (eg, pollution, fire, contamination, etc). This can be severely undermined by personal guarantees being required by banks and landlords.
- As businesses become larger and more complex, a more formal management and governance structure may provide benefits.

- Corporate tax rate 33% - Australians now 30% - may fall further. But note salary to shareholder employees must be commensurate with work done (may limit salary in some cases).

- Easier for off farm investors to invest capital without being involved in day to day running.

- Avoids individual ownership for asset tested benefits.

- If a loss attributing qualifying company, can still offset losses against shareholders' other income.

Disadvantages

- Higher compliance costs slightly higher than for trusts.

- More complex to wind up.

- Losses and imputation credits can be lost if shareholding is changed.

- Companies Act requires a higher level of care by directors.

- Companies Act requires that companies do not trade whilst insolvent.

- Potentially more taxation related issues to consider, eg:

- Fringe Benefit Tax because working shareholders become employees.

- Non cash dividends to shareholders where goods and services pass at less than market value.

- Capital gains taxable unless made in the course of winding up (most cases) or company is a qualifying company.

Tax losses quarantined in company unless company is a loss attributing qualifying company.

- Loss attributing qualifying companies can be a problem with trusts as shareholders because of need to distribute dividends in every circumstance.

Trusts (non-trading) [ie. owns passive assets usually land and buildings]

Advantages

- A trust separates ownership into legal ownership (the trustee) and beneficial ownership (the beneficiaries).

- ACC levies are not payable on income received from a trust. However, care should be taken to arrange alternative accident insurance if it is required.

- FBT may be avoided as this only applies where benefits are provided to employees. Note, however there is another school of thought which considers that provision of services to the trust constitutes an employer/employee relationship.

- The effective tax rates for income allocated from a trust will be the tax rates for the individual beneficiary if an adult, subject to a minimum rate of 19.5%, or 33% if a child under 16 for the full year. Alternatively, income retained in a trust is taxed at 33%.

- Provides a mechanism for skipping a generation with the transfer of assets maximum life 80 years.

An increase in the value of underlying assets and

investments made from retained profits will accrue to the trust rather than individuals.

If the trust is discretionary, the trustees will have absolute control over allocation of income and capital and beneficiaries can include children and grandchildren. This potentially provides protection from claims by creditors and spouses/partners.

- Transfer of assets may lead to potential avoidance of asset testing on benefits.

Disadvantages

- Duties placed on trustees are onerous and include:

- Act personally, loyally and diligently in administering the trust.

- Consider all beneficiaries when making decisions.

- Preserve the trust property.

- Inform the beneficiaries of their entitlement.

- Complexity re bank securities may mean personal guarantees needed, which dilutes the asset protection objective to some extent.

- Also, trustees can be held personally liable for trust liabilities. This is why historically trusts have not traded.

- Infant beneficiaries may accumulate significant current accounts which they can demand to be paid out to them once they are no longer minors.

- The circumstances of all beneficiaries must be considered by trustees - potential for claim/action by excluded beneficiaries?

- If trusts are non-trading, there will be a limit to the amount of income which can be transferred to the trust related to market rental of assets owned.

- Higher compliance costs than sole trade and partnership.

- "Modern" (post December 1992) trusts with husband and wife as settlor, trustee and discretionary beneficiaries would not have been effective under the old estate duty rules (estate duty was abolished in December 1992). If such legislation becomes a consideration again, these trusts may have to be re-settled, although this can be provided for in the trust deed. Care should be taken with the trust deed to avoid the trusts being treated as a sham (see below).

- In a similar vein, there is some concern that widespread use of trusts, eg, to own family home, has potential to cause government to legislate to protect the tax base and reduce the opportunity for participants to qualify for state support. Accordingly, if a trust is used, I suggest it should be robust for example, using a third non-relative trustee.

Sham trusts

Care must be taken when a settlor (person putting assets into a trust) is also a trustee and a beneficiary.

This applies to both trading and non-trading trusts. In particular, I would suggest firstly the use of a third independent (non-related) trustee (or in the case of a

corporate trustee, an independent director or shareholder). Secondly, I would suggest that a person or persons who hold all three positions, do not also hold the power to hire and fire trustees. This power should be held by an independent person as well.

Trading trusts [ie, owns both fixed assets and trading assets]

Introduction

The use of trading trusts in New Zealand is relatively uncommon. Advocates of trading trusts argue that they combine the advantages of using ordinary passive asset owning trusts and a trading company, and overcome some of the disadvantages of both. In order to obtain these advantages, trading trusts need to:

- Be discretionary with respect to the allocation of income and assets; and either:

- Use a corporate (company) as the trustee because potentially ordinary individual trustees have personal liability for trading losses; or
- have the capacity for the corporate trustee to contract out of the potential liability with creditors this is probably not realistic.

Advocates for the use of trading trusts usually admit that they have potential problems (from the point of view of protecting assets and minimising taxes and avoiding liability to creditors and beneficiaries).

Advantages

- Whereas the beneficial ownership of shares in a company is a matter of public record (through Company Office records), the beneficiaries details/existence is not.

- If a corporate trustee is used, then creditors and customers may believe they are dealing with a company rather than a trust.

- If the corporate trustee owns no assets and has a low level of authorised capital, protection of claims from creditors may be achieved. Even though a director has a fiduciary duty to the corporate trustee (ie, duty to act in the best interests of the company), and the corporate trustee has a duty to act in the best interests of the beneficiaries, arguably the directors of the corporate trustee as individuals do not have a fiduciary duty to the beneficiaries.

However, this line of argument is not without its critics who argue that, whilst this lack of liability to beneficiaries may be correct from the point of view of trustee and corporate law, it may not be correct from the point of view of the law of tort (where one person owes a duty of care to another). There has been precedent for the courts to look through a company to the directors, who can then be treated as if they were the trustees.

- Capital gains can be distributed tax free. In a company this can only be done if the capital gains is made in the course of winding up or the company is a qualifying company (five or fewer shareholders).

- With companies tax losses and imputation credits (tax credits which can be allocated with dividends), can be lost if shareholding changes above certain thresholds.

- Non-residents of New Zealand don't suffer the loss of imputation credits which are usually attached to dividends paid by companies from revenue profits.

Disadvantages

The need to use a corporate trustee makes establishment, operation and understanding more complex for owners. Other parties such as banks may require more complex documentation.

- Multiple ownership within a family is not well catered for normally have to use multiple trusts, ie, one for each family member.

- Passive assets, eg, property, should be held separately from trading assets to avoid/minimise claims against passive assets from creditors, spouses and financiers. This may require the use of more than one trust.

- A build up of balances owing to beneficiaries should be avoided. These come when the allocation of income exceeds the application or vestment of funds for the beneficiary. In a practical sense this may limit the amount of income allocated each year particularly to infant beneficiaries. Accordingly, the tax saving benefits will also be restricted. Note for all trust payments for/to beneficiaries that these should not be for necessities of life, e.g. food, clothing and shelter.

Note also that to qualify as beneficiary income, payments must either be made to or on behalf of the beneficiary during the year, or vested in them (by trustees resolution) within six months of the trust's balance date.

- Trading trusts are likely to attract more IRD scrutiny than non-trading trusts.

- In Australia, trading trusts have been taxed as companies since July 2000. In other words, the trusts pay tax on income, then distribute income to beneficiaries with tax credits attached. If beneficiaries have lower income, they cannot utilise all the tax credits. Our legislation could follow that in Australia.

How do I know if I need to change my existing structure?

- You need to identify the problems with the existing structure.

- This can itself be a problem as without the input of your professional advisers you may not be in a position to identify the problems or quantify the financial benefit of changing.

- In most cases changes in structure take time and are relatively expensive. Will it be worth it?

- Changes to structure need to be considered in relation to personal and financial objectives.

Considerations when moving to a new structure

- 1) Decide on name for new company or trust.

- 2) Decide on settlor, trustees, and beneficiaries if trust.
 - 3) Decide on directors, shareholders and registered office if company.
 - 4) Establish estimates for legal, accountancy and valuation costs. Make sure bank aware of planning as securities may need to be transferred and there may be existing fixed interest rate loans to consider regarding early repayment penalties. A new trading cheque account may be required.
 - 5) Agree on most appropriate date for transfer to the new entity.
 - Consider:
 - (a) Annual balance date of existing entities
 - (b) Potential benefits of transferring before existing balance date re current year's income.
 - (c) GST return periods for existing entities which may be continuing.
 - (d) Deferral of tax payment if transfer left to first day of the next financial year.
 - 6) Decide on the assets to be transferred after considering potential taxation consequences, for example, with respect to profit on the sale of livestock and taxable depreciation recovered on the transfer of assets (including buildings). Consider leaving expensive items of vehicles and plant, some /all livestock and buildings (if on separate title) with current owners. Any fixed assets left would be leased to new trading entity. Any livestock left would be made available to the new entity. Bailors cannot use NSC. Therefore, a bailment (rental) could be used only if existing owners are using herd scheme or market value. If the existing owners are using NSC, a profit sharing agreement must be used rather than a bailment. Some commentators consider that a disappearing bailment can be used.
 - 7) Discuss which farm related shares will be transferred to the new trading entity, eg, fertiliser company shares, meat company shares, dairy company shares, trading society shares, etc. Write to share registrar re transfer.
 - 8) Consider income tax consequences if land being subdivided, particularly if within 10 years of purchase, and remember that the clock starts again on the 10 year rule for the new owner regarding possible future subdivision of the land.
 - 9) Avoid a sale and lease back of land where there is unamortised development, as amortisation can only be claimed by a farming business (not a landlord).
 - 10) Discuss fringe benefit tax issues where using a company. Will apply re cars, electricity and any other expenses paid on behalf of an employee (including a shareholder, unless the company is a qualifying company and the shareholder is not a shareholder employee unusual).
- Note recent increase in complexity of FBT regime and increase in effective rates unless benefits are

attributed to individual employees. General recommendation would be to increase salary and ask employees to pay their own accounts, and prohibit private use of motor vehicles owned by the company.

FBT on cars can be expensive. If relatively high business running may be better to leave out of company and reimburse owner for the business running proportion.

11) Consider key person insurance for farm manager and key staff - mainly applicable for joint venture companies. Policy should be owned by the company.

Steps

1) Arrange for valuation of assets to be transferred. Must be at market values, ie, livestock, plant and land. Consider proximity to last rating's valuation can generally use if less than six months old.

2) Prepare final estimate of cost of income tax payable on transfer of assets.

3) Apply for IRD number and GST registration once Certificate of Incorporation (for company) or Deed of Trust (for trust) has been received.

- Consider group GST registration. To get this one party must control all members. Not permitted where trusts are involved.

- Consider whether GST going concern rules apply which would mean the transaction could be zero rated.

- Consider making company a qualifying company and possibly a loss attributing company. This can only be done if no more than five shareholders.

4) Register the new trading entity as an employer. De-register existing trading entity from same.

5) Revise wills of all parties as appropriate. Consider appointment of replacement directors or trustees. Consider transfer of controlling shareholding on death or incapacity of founding controlling shareholder(s).

6) Set up gifting programme re residual debts. Consider making initial gifts of more than \$27,000 at lower duty rates.

For example:

Gift of \$36,000	duty equals	\$ 450
Gift of \$50,000	- duty equals	\$ 2250

7) Arrange insurance.

Income tax planning

- Income tax benefits must be seen (and documented) as an ancillary benefit and not the main purpose of the restructuring. The potential tax savings can be worthwhile with the current tax rate regime.

- Take care in correspondence and documentation. Transfer assets at valuation. Use sale and purchase agreements. Prepare employment contracts for employees of company or trust.

- Suggest a couple need to have a taxable income

of between \$150,000 and \$180,000 before tax savings equate to compliance and set up costs of alternative ownership structure.

For example:

Husband & wife partnerships taxable income, say \$140,000 equals \$70,000 each

Potential tax saving to shareholders if income above \$60,000 salary, taxed in the company, will be: 2 x \$10,000 x 6% = \$1200 p.a.

Compare with savings which can be made by paying wages to children who are doing the required work, ie, marginal tax rate for income from wages up to \$9500 equals 15%.

For example:

2 children x \$5000 wages per annum x 24% (39%-15%) saving equals \$2400, and no set up costs and minimal additional compliance costs.

Note that the wages become the property of the child requires care. Normal requirements re

deducting PAYE and maintaining wage records will apply.

• However, the message is that alternative ownership structures provide for opportunities beyond just taxation savings. Some taxation savings may in fact be hard to justify given the cost of change. In reality for taxation savings the payback period should be no greater than three years. The other benefits are in many cases much more tangible and long lasting.

Peter Glassford is a director of Brown Glassford & Co, a Christchurch based accountancy and financial services company. Glassford is a chartered accountant who specialises in both the commercial and farming sectors. He has a BagCom in valuation and farm management from Lincoln College. Before starting his own accounting practice in 1990, Glassford also worked at a "big five" firm. Prior to that he spent five years with the Rural Banking & Finance Corporation as a rural loans officer.

Offers links and
information through

NEW ZEALAND
p
roperty
INSTITUTE

the NZPI website
www.property.org.nz

www.property.org.nz

The ethical perspective of New Zealand's registered valuers

Abstract

This study utilises a self-administered survey questionnaire to measure five ethical domains adapted from those developed by Harris (1990). The domains are concerned with *deceit, fraud, coercion, influence dealing, and self-interest*.

The results indicate differences between respondent's perspectives based upon variances in age, valuation experience, education, employment, whether they had taken a professional ethics course or not. And whether they have public liability insurance or not.

Introduction

This article reports upon a survey undertaken to examine the ethical perspective of New Zealand's registered valuers. Five ethical domains are examined, deceit (deceitful practice), fraud (fraudulent activities), coercion (coercive power), self-interest, and influence dealing. The domains are adapted from those developed by Harris (1990) and allow investigation of respondents' ethical perspective. The article reports on the differences that various factors such as gender, age, valuation experience, and type of work performed may have upon valuers' ethical perspective.

Background

Although professional property organisations have developed codes of ethics to which members are expected to subscribe, there has been little research pertaining to ethics in the property industry. The majority of articles are descriptive and often included case studies, or examples of ethical issues. For example, *Real Estate Issues*, published by The Counsellors of Real Estate (1994), devoted an entire issue to ethics in real estate, all articles being descriptive. Sharplin et al. (1992) wrote on the concept of ethics for property managers. Hurley (1996) wrote an essay on changes in the regulatory environment and ethical demands placed upon real estate appraisers (valuers). Similarly, books pertaining to ethics in real estate, such as Long (2001), Pivar and Harlan (1995) and Roulac (ed.) (1999) follow the descriptive and case study format.

The property industry is one that provides opportunities for valuers to face ethical conflict in their professional work. Valuers are in a position where they represent not only their principal, but often also known or unknown third parties and/or the public. This places them in a position of

potential ethical conflict unless valuation standards of practice and ethics are followed. Furthermore, since many valuer's earning potential is dependent upon the level of fees they generate, there may be potential to bend ethical behaviour in order to please clients and generate valuable repeat business. As Ferrell and Gresham (1985) point out, opportunity strongly influences ethical behaviour and can override ethical beliefs. Allen's and David's (1993) finding, that high personal and professional values related to professional ethics diminished when ethical dilemmas were experienced in the marketplace, supports this presumption.

This study is based upon a model developed by Harris (1990) which measures specific ethical domains (deceit, fraud, etc). Harris developed and trialed the model on a single firm with a hierarchical structure and "clearly defined code of corporate ethics" (1990, 743). Hoyt and Aalberts (1997), and Hoyt and Schwer (1998) were the first to apply the model to the ethical beliefs of property professionals in the USA. Although Harris found no statistically significant difference for gender, hierarchy within the organisation was identified as significant. The Hoyt and Aalberts (1997) and Hoyt and Schwer (1998) study results support this but also found gender to be significant. Similar results have also been generated by other studies using models based upon tailored scenarios including Dawson (1997), and Lund (2000) in sales and marketing, Hoffman (1998) with listed company managers, and Bucar and Hisrich (2001) comparing managers with entrepreneurs.

Survey

Fifteen scenarios, three for each of the five domains of (1) fraud, (2) coercive power, (3) influence dealing, (4) self-interest, and (5) deceit, were assembled into a questionnaire (see Exhibit 1). An explanation of the 5 domains is provided in Table 1.

To aid understanding by respondents, the scenarios were tailored for use in New Zealand. Although this required only minor word changes from the Hoyt & Aalberts (1997) and Hoyt and Schwer (1998) surveys, the process was important as it was necessary to maintain the integrity of the scenarios for future cross-cultural comparisons

Research Objective

The specific objective of this study was to determine if statistically significant differences exist in the ethical

Table 1

DOMAIN DESCRIPTIONS

Fraud	Use of false representations to gain an unjust advantage
Coercive Power	Persuade or restrain (not physically) by force
Influence Dealing	Exercise power
Self-Interest	Personal interest or advantage
Deceit	Deceiving or misleading by concealing the truth °

Table 2

DOMAIN MEANS AND STANDARD DEVIATIONS

Domain	Mean	Standard Deviation
Deceit (n = 611)	11.76	2.30
Fraud (n = 616)	13.76	1.80
Coercive Power (n = 611)	11.11	2.45
Self-Interest (n = 606)	9.09	2.40
Influence Dealing (n = 605)	7.09	2.66

Table 3

SUMMARY RESULTS FOR FACTORS MEASURED

No effect measured	Effect Measured
2. Gender	1. Age
5. Type of valuation work	3. Education
7. Primary work location	4. Experience
8. Income	6. Employment type
9. Professional organisation membership	10 Public Liability Insurance
	11. Professional Ethics Course

perspective of New Zealand's registered valuers based upon differences in the following 11 factors:

- Age
- Gender
- Education
- Experience
- Type of valuation work
- Employment type
- Primary work location
- Income
- Membership of professional organisations
- Coverage by professional liability insurance (PLI)
- Completion of a professional ethics module
- Research Administration

Participants in the study comprised all registered valuers within the New Zealand Property Institute (NZPI). With assistance from the NZPI, 1480 questionnaires accompanied by a covering letter explaining the research, were mailed to this group in January 2000.

The mailing produced a response of 619 useable questionnaires, for a response rate of 41.7%.

Demographics

Of those responding, 557 (92.7%) were male and 43 (7.3%) female. Respondent's ages were grouped and the largest age group represented was 36 to 45 years (32.4%) followed by 46 to 55 years (30.1%). The majority of respondents have a tertiary qualification, either an undergraduate degree (71.1%) or technical college qualification (22.6%). An approved undergraduate degree has been the minimum educational requirement for gaining registration as a valuer in New Zealand since 1980.

Despite the majority of respondents (78.3%) being over 36 years of age, 31.2% have had 10 years or less experience as valuers, 30.8% 11-20 years experience, and 38% more than 20 years experience. 554 (90.4%) respondents identified themselves as registered valuers and 59 (9.6%) as near registered valuers. Of these, 33.6% work predominantly in residential valuation, 45% are self-employed, 12.7% work in Government agency and 11.7% are consultants. 30% (179) of respondents identified the South Island as their primary place of employment, and 70% (426) the North Island.

All respondents belong to the NZPI and a number (23.6%) to additional professional organisations such as the Real Estate Institute of New Zealand (REINZ) and the Property Council of New Zealand.

Members of the NZPI are expected to subscribe to defined professional standards and a codes of ethics. The NZPI had additionally mandated that all registered valuers take the Institute's 7 hour Professional Practise and Ethics Module before 2002 as part of their continuing professional development (CPD) requirement (which is 20 hours per annum). 69.8% of respondents indicated that the length of their last professional ethics course was 4-8 hours and 70.4%

had undertaken such a course within the past three years.

Analysis

Each ethical domain (deceit, fraud, coercive power, self-interest, and influence dealing) has three different scenarios assigned in the questionnaire (see Exhibit 1), one oriented toward real estate sales, one valuation, and one lending. A response to each scenario was requested using a 5-point scale. 1 indicates the most approval and 5 indicates the greatest disapproval for the scenario described.

The responses to the three scenarios for each domain are summed, resulting in a possible range from 3 (most approval) to 15 (greatest disapproval). On this range the mid-point, or point of indifference, is 9.

Results

The means and standard deviations for the five domains are presented in Table 2.

Of interest is the observation that the greatest disapproval is in the area of *fraud* (13.76) and the most approval is in the area of *influence dealing* (7.09).

Table 3 identifies those factors where no effect was measured and those where an effect was measured, including age, education, experience, employment type, public liability insurance, and professional ethics course.

A more detailed discussion on these effects and where appropriate, identification of the specific domains identified follows:

Factors where no effect was measured

2. Gender

The results show that female valuers (responding number=43 (n=43)) are no more concerned than their male counterparts (n=553) on matters concerning deceit, fraud, coercion, self-interest or influence dealing. This contradicts the findings of Harris (1990) who found a significant difference in the *self-interest* domain, and Hoyt and Aalberts (1997) who found significant differences in the influence dealing and self-interest domains for US Valuers.

5. Type of valuation work

Analysis failed to measure any significant difference based upon valuers' primary valuation work (greater than 50% of income earned), whether residential (n=371) or other (n=188).

7. Primary work location

No difference was measured for any domain for differences in respondents primary work locations, whether South Island (179) or North Island (426).

8. Income.

Although income is somewhat related to age and experience where an effect was measured, analysis revealed no significant difference among the domains for different levels of income.

9. Membership of professional organisation

No significant differences were measured for those

Table 4

STATISTICAL SIGNIFICANCE WHERE AN EFFECT WAS MEASURED

Factor/Domain

Factor/Domain	Deceit	Self-Interest	Influence Dealing	Coercion
1. Age	F=8.37**	F=4.90**	F=5.24**	F=8.64**
3. Education	F=2.92*	F=3.19*		
4. Experience	F=3.66**	F=3.17*		F=2.60**
6. Employment type	F=3.54*		F=2.26*	
10. Public Liability	F=1.37**			
11. Professional Ethics			F=4.59*	

*ANOVA statistically significant at 0.05 level.
 ** ANOVA statistically significant at 0.01 level.
 * * * ANOVA statistically significant at 0.001 level.

who held membership in more than one professional organisation compared to those who were solely members of the NZPI.

Factors where an effect was measured.

Table 4 shows the statistical significance of the effects for factors where an effect was measured.

1. Age

For all but the deceit domain, age of respondent is a significant variable. Generally, the older the respondent the higher the level of disapproval expressed for the scenarios presented.

3. Education

The age result is further supported by comparison on education. A significant difference was indicated for the fraud and coercion domains, depending on respondents' level of education. In the area of fraud, the highest levels of disapproval are among those with some or high school and polytech or professional qualification. A similar trend is evident for coercion (although the measure for masterate or PhD university degree holders exceeds polytech or professional). The some or high school and polytech or professional qualification groups would generally represent older members of the profession as it has not been possible to obtain registered valuer status without the minimum qualification of an undergraduate degree since 1980.

4. Experience

The effect measured for Age is further evident in the measure of valuation experience. Statistically significant differences exist for the fraud, coercion, and influence dealing domains depending on respondents' experience. Generally, the longer a respondent has practiced, the less tolerant that person's response to examples of fraud, coercion and influence dealing.

6. Employment Type

Significant differences were found for the deceit and self-interest domains depending on respondents' type of employment. Respondents employed as valuers were less tolerant of self-interest than those employed in lending/finance, insurance, consultancy or Government agency (including State Owned Enterprises (SOE)), and those employed in the lending/finance sector were more tolerant of deceit than others.

10. Public Liability Insurance (PLI)

Respondents were asked if they had PLI. 487 (78.3%) indicated that they were covered by PLI and 123 (19.8%) that they were not. No significant difference was found between those who have PLI and those who did not in all except the fraud domain. Respondents who did not hold PLI indicated that they were significantly less tolerant of fraudulent behaviour than those with PLI insurance.

This suggests that holding PLI may alter the tolerance for unethical practices.

11. Ethics Course

There were no significant differences found regarding the time since respondents had taken a professional standards or ethics course or the length of such a course (less than four, four to eight hours and over eight hours) for any of the domains.

However, analysis shows that respondents who had completed an ethics course were more approving of self-interest scenarios than respondents who had not taken such a course. There were no significant differences found between these two groups for any other domains, suggesting that the courses have no effect.

Conclusions

Of the five domains (deceit, fraud, coercion, self-interest, and influence dealing) viewed by the registered (or near registered) valuers, the greatest disapproval of situations involves fraud, followed by *deceit* and *coercion*.

The approval of situations involving self-interest and influence dealing supports earlier studies (Hams (1990), Okleshen and Hoyt (1996) and Hoyt and Aalberts (1997)). For registered valuers, the acceptance of these types of activities may reflect the independence associated with the vocation. Fraud, coercion and self-interest are the predominant domains (three out of six each) showing statistically significant differences when evaluated using the various factors (numbered 1-11 above). These are followed by the influence dealing with three out of six statistically significant differences.

The finding that male valuers are no more tolerant than female valuers is contrary to previous studies. Hoyt and Aalberts (1997) and Harris (1990) both found a difference for the self-interest and Hoyt and Aalberts (1997) additionally for influence dealing.

Age, experience and education were identified as significant although there is intuitively some relationship between these factors. Generally, the older and more experienced a respondent, the less tolerant he/she will be to an unethical scenario. Lund (2000) also found age and education significant in his study of marketing professionals.

Our finding that respondents who have undertaken a professional ethics module are more inclined to respond positively to self-interest scenarios is of concern both for those delivering professional ethics modules and the professional organisations promoting them. The insignificant differences measured for the other domains are also of concern

indicating that attitudes toward ethical behaviour are not influenced by the ethics oriented courses required by professional organisations.

Another finding of concern is the statistically significant difference measured between those with PLI and those without with respect to the fraud domain. The results indicate that respondents with PLI are more tolerant of the fraudulent scenarios than those without.

This study has identified some areas where there are statistically significant differences in ethical beliefs among registered valuers in New Zealand. It is intended to replicate the study in other sectors of the property industry in New Zealand and there are also opportunities to consider the views of users of valuers' products and perhaps make comparison with types of complaints made to the institute and Valuers Registration Board. Other opportunities include undertaking cross-cultural comparisons with sectors of the property industry in the USA and other countries. Local and/or regional influences may impact upon valuers' ethical beliefs differently, across countries despite our finding that the primary work location within New Zealand (North Island v. South Island) has no effect. Differences in ethical beliefs may have an effect upon the interaction of property participants. Being aware of and resolving any differences can assist in building relationships of trust between those who use valuers and other property professionals and those property professionals.

Finally, although this study indicates (with the exception of self-interest) that professional ethics courses may not significantly affect ethical behaviour, it has identified areas of ethical behaviour that should be emphasised in professional standards and ethics courses.

Graph 1

|||

About the authors: Richard W. Hoyt, Ph.D., is Professor of Real Estate/Finance in the College of Business, University of Nevada, Las Vegas, USA. He has taught many university real estate courses, including valuation. During 1991-92 he was a Visiting Professor of Property at Lincoln University, New Zealand. He has experience in valuing retail, office, industrial and residential properties. Mike Wright is a senior lecturer in property studies in the Applied Management and Computing Division, Lincoln University, New Zealand. He has taught valuation, property management, real estate, and investment and development papers at Lincoln, having worked in all these areas of the New Zealand property industry at some stage. Ced Croft, is a senior lecturer in property studies in the Applied Management and Computing Division, Lincoln University, New Zealand. In his 25 Years at Lincoln, Croft has taught a wide range of property courses and has experience in valuation and property consultancy.

References

- Allen, Jeff and David, Duane (1993), "Assessing Some Determinant Effects of Ethical Consulting Behavior: The Case of Personal and Professional Values," *Journal of Business Ethics*, June, 12, 449-458.
- Allmon, Dean E. and Grant, James (1990), "Real Estate Sales Agents and the Code of Ethics: a Voice Stress Analysis," *Journal of Business Ethics*, 9, 807-912.
- Bucar, Branko, and Hisrich, Robert D. (2001), "Ethics of business managers vs. entrepreneurs" *Journal of Developmental Entrepreneurship*, April, 59-82.
- The Counsellors of Real Estate (1994), *Real Estate Issues*, December, 19:3.
- Dawson, Leslie M. (1997), "Ethical differences between men and women in the sales profession", *Journal of Business Ethics*, August, 1143-1152.
- Ferrell, O.C., and Gresham, Larry G. (1985), "A Contingency Framework for Understanding Ethical Decision Making in Marketing," *Journal of Marketing*, 49, 87-96.
- Harris, J.R. (1990), "Ethical Values of Individuals at Different Levels of the Organizational Hierarchy of a Single Firm", *Journal of Business Ethics*, 9, 741-750.
- Harris, J.R. (1991), "Ethical Values and Decision Processes of Business and Non Business Students; A Four Group Study," *Journal of Legal Studies Education*, 9, 216-230.
- Hoffman, James J. (1998), "Are women really more ethical than men? Maybe it depends on the situation" *Journal of Managerial Issues*, Spring, 60-73.
- Hoyt, Richard W, and Aalberts, Robert J. (1997), "Ethical Beliefs and Values of Real Estate Appraisers," Paper presented at the annual meeting of the American Real Estate Society, April.
- Hoyt, Richard W, and Schwer, R. Keith (1998) "Ethical Beliefs and Values of Real Estate Salespeople" Paper presented at the annual meeting of the American Real Estate Society, April.

Hurley, Neal (1996), "Ethics and Ethical Behavior in the Property Valuation Profession," *The Appraisal Journal*, April, LXIV:2, 125-128.

Izzo, George (2000), "Compulsory ethics education and the cognitive moral development of salespeople: A quasi-experimental assessment", *Journal of Business Ethics*, 28, 3, 223-241.

Long Deborah H. (2001), *Doing the Right Thing: A Real Estate Practitioner's Guide to Ethical Decision Making, 3rd Ed*, Prentice Hall.

Long, Deborah H. and Guglielmino, Lucy M. (1994), "Are Real Estate Agents Really Unethical?: A Study of the Ethical Reasoning Ability of Florida Real Estate Licensees," unpublished paper Florida Atlantic University, July

Lund, Daulatram, B. (2000), "An empirical examination of marketing professional's ethical behavior in differing situations, *Journal of Business Ethics*, April, 331-342."

Nelson, Walt A. (1995), "Empirical Measures of Ethics in the Real Estate Industry," paper presented at the annual meeting of the American Real Estate Society, March.

O'Clock, P. and Okleshen, Marilyn (1993), "A Comparison of the Ethical Perceptions of Business and Engineering Majors," *Journal of Business Ethics*, 12, 677-687.

Okleshen, Marilyn and Hoyt, Richard (1996), "A Cross Cultural Comparison of Ethical Perspectives and Decision Approaches of Business Students: United States of America Versus New Zealand," *Journal of Business Ethics*, 15, 537-549.

Okoruwa, A. and Thompson, A. Frank (1994), "An Empirical Analysis of Real Estate Brokerage Ethics," paper presented at the annual meeting of the American Real Estate Society, April.

Pivar, William H., and Harlan, Donald H. (1995), *Real Estate Ethics: Good Ethics = Good Business*, 3rd Edition, Real Estate Education Company.

Roulac, Stephen E., (ed) (1999), *Ethics in Real Estate*, Kluwer Academic Publishers.

Sayer, Shay, Joyce, Mary L., and Lambert, David R., (1991) "Gender and Sales Ethics: Are Women Penalized Less Severely Than Their Male Counterparts?," *Journal of Personal Selling and Sales Management*, Fall, , XI:4, 49-54.

Sharplin, Arthur, Premeaus, Shane R., Binning, Mary Jo, and Worley, Lawrence F, (1992) "Business Ethics: A Primer for Managers," *Journal of Property Management*, September-October, 57:5, 42-45.

Wright, Michael, J. (1995), "Can moral judgement and ethical behaviour be learned? A review of the literature", *Management Decision*, 33, 10, 17-28.

Business practice questionnaire

The following situations describe some aspect of property business practice. Please evaluate each

scenario and respond with your degree of approval or disapproval of the described action. A scale similar to the following will be provided after each scenario:

Please indicate your response by placing an "X" in the space that best describes your feelings regarding the scenario explained as shown in the example above. Note, there is no "right" or "wrong" response.

A. Veritable Valuation Associates advertises that Registered Valuers do all property valuations. Advent has several unregistered graduates on the staff who actually perform and write most of the valuation reports, although the reports are signed only by one of the Registered Valuers associated with Veritable.

B. Reliable Real Estate Mortgage Brokers has observed that a recent increase in interest rates has resulted in a lower volume of real estate loans made and a reduction in profits. Reliable estimates this situation will continue for the next 3 to 5 years. Although Reliable can survive with lower profit margins, management believes that they can maintain earlier profit levels by adding supplemental charges to some of the existing processing fees, for example: solicitor's fee, credit report, house check report, document preparation fee, and loan processing fee.

Doug Watson is a regional manager with a franchise real estate firm and is responsible for sales in three offices. With salary and bonuses, his annual take home pay averages \$77,000. Doug has made a practice of supplementing his salary by at least \$3,000 by padding his expense account. He rationalises this behaviour by saying that everyone else in the business and company is doing it.

D. Pamela Phillips, Regional Real Estate Manager of Unified Bank calls the human resources (HR) director of one of the major independent valuation firms performing valuations for the bank and asks in a non-threatening way that her nephew be interviewed for a job in their organisation. The HR director complies with Phillips' request and arranges the interview. Phillips' nephew fails miserably on the aptitude test, which is required of all applicants, but is employed anyway because Unified is one of the firm's biggest clients.

E. One of Australasia's largest mortgage companies is the corporate sponsor of the popular TV series ANYTOWN VICE. The sponsor has been approached by a national coalition of concerned citizens about the impact of this program on the morals of today's youth. The coalition demands that the sponsor exert its influence on the show's producer to tone down the sex and violence on the program. The sponsor's reply to the coalition is, in essence, that "our job is to make mortgage loans not censor what the public wants to watch on TV."

F. Modern Homes has recently converted an office building to 85 medium priced apartments. Just after completion and prior to any sales becoming unconditional Modern Homes discovered that the

painting contractor had used a lead based paint, which is banned in New Zealand. One major problem with lead based paint is the possibility of small children eating paint chips that flake off of the painted surface. Alltime Sales, the real estate firm marketing the apartments, suggests that Modern Homes sell the apartments as "retirement only units," thereby avoiding the possibility of families with children purchasing a unit.

G. Anycity Municipal Airport Company recently awarded an exclusive contract to Tiger Valuations to value 45 houses for an airport expansion project. Tiger had just completed a larger valuation assignment with similar residences in the immediate vicinity for a Transit NZ roading project, thereby having completed all the basic sales research. Tiger's fee quote of \$150 per house was only slightly below that of competing valuation firms, although Tiger estimates that with the data from the earlier assignment the valuation on each house can be completed and delivered at a total cost of approximately \$45 per house.

H. A prominent multi-office real estate firm, Sunny City Realty, which specialises in residential sales has been approached by community leaders requesting that the firm open a branch office in a low income part of the city. The leaders decide that low-income families, who have little access to the many services offered by multi-office firms in the suburbs, be given an alternative over the limited services offered by small, single office brokerages that serve the low-income market. Citing higher cost of facilities and greater potential losses due to vandalism, Sunny City Realty decides not to comply with the group's request.

I. NPS (National Property Services) a large national firm, is currently a primary contractor for central government property valuation work in New Zealand. Because NPS relies heavily on this work and thus its revenues are tied directly to government spending, NPS management monitors the voting records of parties relative to government property issues. As a result, the employees of NPS have formed a political action committee (PAC) to provide support "funding" for candidates who favour NPS's interests.

J. Johnny Jones is the sales manager for a large property finance company. One of Jones's responsibilities is to train new sales agents as they come into the organisation. Experience has shown that one of the most difficult tasks in selling his company as a provider of finance for property loans, is getting a sales agreement. Jones believes that some customers need to be helped into the decision to use his finance company, so he teaches his new loan officers several high-pressure techniques proven to be successful in getting a sales agreement.

K. First Real Estate, with four offices throughout the region, is one of the largest advertisers in [The Daily Planet News](#). The newspaper has been running a series of articles to educate consumers on how to better protect

their interests in the marketplace. Steve Adams, CEO of First Real Estate, hears on the grapevine that next week an article highly critical of First's sales and listing techniques will be featured in the paper. The next day he contacts the editor of the Planet and threatens to withdraw all advertising if the feature is run.

L. Management of Jackson and Associates, a national real estate company, has word from reliable sources that its chief competitor is about to unveil new software that will greatly reduce the cost of a real estate transaction. In all likelihood, the software will also sweep the market and make substantial inroads into Jackson's market share and profitability. Ray Richards, head of operations for Jackson, plays golf regularly with a member of the competitor's operations department (which developed the software) and is aware of his dissatisfaction with his recent low salary raise. Being made aware of this fact, top management at Jackson has instructed personnel to "hire that employee at any cost".

M. Borden Mortgage Brokers are suppliers of funds in the highly competitive residential lending market. In the past, they have experienced difficulty in maintaining customer loyalty among the real estate salespersons and agents who direct purchasers to them for home finance. To address this problem, Borden has developed a plan whereby real estate salespersons

and agents are given points for every mortgage loan requested and made throughout the year. At the end of the year the salespersons and agents are awarded an all-expense vacation for two at various resorts depending on the number of points accumulated. Loan fees are, of course, increased to cover this expense.

N. Todd Jackson is the manager for Wyler Mortgages and has the final say on which of numerous valuers his firm will contact to perform valuations. Conscious of the magnitude of the fees he controls, Jackson has let it be known that in those situations where price and other things are equal, his decision to assign a valuation job to a particular valuer can be swayed by the receipt of an "appropriate" gift.

O. John Smith has been recently employed by General Valuations in a new position "customer relations" and is responsible for the territory that includes among its potential customers, Wyler Mortgages (mentioned above). General has been unsuccessful in obtaining Wyler's business in the past because it has a strict policy against using company funds to provide gifts to any customer or potential customer. As a novice in the customer relations profession, Smith is determined to get some valuation work from Wyler even if he has to pay for a gift for Todd Jackson out of his own pocket.

NEW ZEALAND
p *roperty*
INSTITUTE

NZPI Statscom
monthly updates on
web with all the latest
property related
statistics

www.property.org.nz

The training plan: how employees can keep up with the dynamics of facility management

Introduction

In many companies and institutions, change is the order of the day: technological changes, back to core business, mergers, joint ventures, organisational changes, as well as many other kinds of changes. The facility management department is in a constant state of adaptation. After all, it is the facility management department that must ensure that primary processes are supported in the best possible way. Accordingly, business agreements with the internal client and cost management are receiving ever greater emphasis. Service level agreements are a manifestation of this phenomenon, for example. Many facility management departments take an additional step, shifting towards a facility business without a so called "truck system". Then, of course, there are also developments in ICT, building technology, office innovation and changes in corporate infrastructure resources management (CIRM).

This places quite a burden on the staff of facility management departments in terms of development possibilities and willingness to change. Are all employees able to keep up? The answer is "yes", as long as facility management departments and all their employees continue to grow

Life-long learning and learning organisations are issues fortunately receiving more and more emphasis. In the dynamic world of facility management, they certainly deserve to be given ample attention. I will describe how employees and facility management departments can develop skills mutually. Many HRM instruments can be used, including recruitment and selection, performance reviews, training, career guidance and the like. I will specifically focus on one aid in this: the training plan. What steps do you as a manager have to go through to design such a plan?

The importance of history and background of FM employees

Does the facility management department's need for training differ very much from that of any other part of the organisation? The steps to be taken to make a training plan are not essentially different, but the history and background of many FM employees do

have several specific features that are important to consider when writing a training plan.

In my experience of training facility employees, I have often encountered facility management departments in which employees have held the same or similar jobs for years and years. This can tremendously limit the flexibility and willingness to change the facility management department. This stands in sharp contrast to the conclusion we have just drawn that this flexibility and willingness to change are very important competencies for a modern facility management department.

Although this seems to be a thing of the past in some organisations, many facility managers have encountered situations in which an employee who cannot be transferred to a new job elsewhere in an organisation is given a job within the facility management department. Fortunately, there are certainly examples of employees who have thus been able to make a very valuable contribution to the facility management department, but unfortunately there are also facility managers who have less positive tales to tell about these situations.

Finally, it should be noted here that, in many facility management departments, something I would call overdue training maintenance actually occurs. It often turns out that many operational FM employees have not attended any training courses besides First Aid or an introductory course on the operation of types of equipment. Often, such employees have some fear of training. For instance, these employees associate training with memories of primary and secondary school, complete with harsh teachers, tests and exams. Sometimes they do not regard training as an opportunity for personal development or a reward, but rather as some kind of "punishment" for not doing their jobs properly,

The above attests to the importance of paying close attention to communication with employees even as early as the preparatory stages of a training plan. Why is training so important? What are the (personal) training goals and what is expected from employees in such a development project? Here, it is very important to choose the training method in such a way that

employees start enjoying the learning process. Learning should be fun! Many things depend on employees' motivation and competencies. If an employee is adequately motivated, the required knowledge and skills may often be gained through training or coaching.

The use of competencies

I have used the term "competencies" several times. Competency management and competency-focused learning are terms that are often used, but what do they actually mean? And even more importantly, what is the practical use of competencies and what is their ultimate effect at the workplace?

Competencies are the specific qualities, specific fields of knowledge or skills that people, groups of people or organisations have. Competencies include standards and values, creative and productive use of knowledge and experience, self-confidence and diligence. Sometimes people's motivation is considered the competency; I am of the opinion that motivation is another entity, however. Motivation is very closely connected to and determined by the concrete situation, unlike personal qualities, knowledge and skills. The factor of motivation is very important, of course, when it comes to the possibility of developing qualities, knowledge or skills.

As is evident from the definition of the term "competencies", this is not just about individuals, but also organisations. This means that competency management encompasses the interrelated development of employees and organisation. The individual employee's competencies are not only of major concern for the organisation's core competencies and their optimisation, but they are part of the organisation's competencies. The combination of individual competencies is expressed in management systems, communication, work processes, manners of cooperation and, thus ultimately, in the level of services rendered by the facility management department, as well.

Human competencies

The structure of human competencies is comparable to that of an iceberg.

The visible top corresponds with the perceptible knowledge and skills pertaining to a job or professional performance. Vocational and professional training can impart key knowledge and skills.

The intermediary skills relate to a broader area and include social, communication, organisational, general and professional skills. These are important when it comes to flexibility and multi-functionality. These skills are less easily learned. Often, individual coaching is required in order for one to acquire these skills.

Together, these two layers constitute the professional or vocational skills of an employee.

The third layer in the competency structure

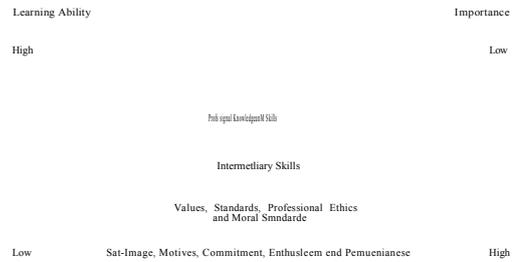


Figure 1. Human competency in an "iceberg structure" Source: Bergenhenegouwen, Mooijman & Tillema (1998)

consists of the values and standards, the ethics and morals of both the person him- or herself and of the organisation to which this person belongs. The person has internalised these ideas, values and standards.

The fourth layer consists of the deeper characteristics, such as personal nature, self-image, underlying values and enthusiasm. This has to do with the person's nature or character. These aspects of human competency are difficult to discern, but they strongly determine activities in specific situations. These aspects, positioned at the base of the iceberg, are very difficult to learn or to develop.

Consequently, the more important the aspects of the competencies are, the harder they are to learn or develop. This may seem a discouraging observation when one has just decided to set up a training plan for the facility management department. In my opinion, this conclusion is not really disappointing, but rather just an important observation to be considered, meaning that:

- The training plan is nothing more - and nothing less - than a part of the full programme of organisational development;
- One must have realistic expectations in respect of employees' capability to learn or develop skills.

Core competencies of an organisation

In order to mutually develop the competencies of employees in an organisation, it is important to take stock of the organisation's own competencies, as well. An organisation's core competencies are what make the organisation as a whole expert.

Various developments within and outside of organisations compel facility management departments to continually reorient themselves to their environment, their "market" and their clients. Changes in the facility management department demand differentiation (eg, internal) entrepreneurship, tailor-made products and services, innovation, creativity, personal responsibility and self guidance), on the one hand, while also demanding integration in the form of a recognisable/uniform



Coro ComPdMdee

A r k

BuikJing AMraapemertt Maaketing

Cots Prochrda and sacvioaa

Figure 2.

service level, mutuality, team spirit and the transparency of processes, products and services. The question now is in which fields the organisation is already highly capable, and which still require further development.

Competency profiles

Competencies may be mapped out using competency profiles: a description of several competencies typifying a specific position within the organisation or an individual employee. It is important to choose terms to be used for creating a profile and that there is a link with the core competencies and the scenario of an organisation.

Based on the competency profiles, the training requirements of the facility management department are analysed. This analysis is the first step in the development of a training plan. I will give an example of how competencies can be charted in my description of this step.

How to make a training plan

Development of competencies

As the iceberg structure illustrates, people do not develop all competencies with equal ease. When a training plan is drawn up, the targets have to be feasible. A competency such as being result-oriented may be developed in a training programme including elements such as envisioning, formulation of personal goals, scheduling and troubleshooting. A competency such as endurance, however, is comprised almost entirely of personality traits and therefore is very difficult to develop or teach. Such a competency may be promoted in the development of an organisation's core competencies, but is done by property recruiting and selecting employees during hiring.

Training myths

There are quite a number of training myths. I will mention some of them.

1) Training is too expensive. If you think training is expensive, try ignorance. Training should not be considered a cost item, but rather an investment. The essential question is not whether the investment is high, but whether there is adequate return on that investment. The return might be that the service level of the facility management department is increased to such a degree, that the organisation's clients become much more productive. Or that the knowledge and skills of purchases is enhanced to such an extent that contracts with far better terms and conditions are concluded. Or that a facility management company's turnover grows.

2) Gaining knowledge and skills is something for young or less educated employees. Development is relevant to all employees in the facility management department. Whether you are talking about the janitor or the senior facility manager, all are faced with changes in the environment, technology, management concepts, etc.

3) It is the responsibility of the instructor or trainer to impart and enhance knowledge and skills. It is a fact that skills will generally be learned by doing. It is of course important for the employee to try to apply what he or she has learned, and for the instructor or trainer to encourage this by telling the trainee to show how to apply the new knowledge. A vital job is cut out for the manager, too, however. The manager will have to encourage new behaviour and allow mistakes to be made (it is impossible to learn without making mistakes). He or she will also have to be willing to discuss, review and adapt structures, processes and methods.

4) Training does not work; we have tried it and it just did not work. Many organisations waste a considerable portion of their training budget - not because they choose the wrong training programme, but because the mechanisms of management do not change. For example, an organisation chooses to teach FM employees to behave differently by training them to develop their "facility sense". Employees become aware of the importance of a good facility image, and learn to perceive matters differently. Here, the crux is to convert corrective behaviour into preventive behaviour. In addition, the idea is for employees to stop acting like employees of, say, the repro-department, but like FM employees. However, their day-to-day assignments do not change; people are still being reviewed and judged on how they perform their primary tasks and nothing is done with well-intentioned reports of situations that can stand improvement. To make matters worse, the facility manager himself sets the wrong example by leaving a mess behind in conference rooms, leaving moving boxes unopened in his room and failing to adhere to the "clean-desk" principle.

5) Skill development should focus predominantly on technical issues. Many facility management departments make the mistake of thinking they have to focus predominantly on the content of products and services. As a result, they choose technical training programmes. In service-providing organisations such as a facility department, what you do is not the only thing of importance; even more important is how you do it. For that reason, it is important that FM employee development pays attention to such aspects as marketing the services to be rendered and communication and social skills.

Training plan

Naturally, there are many ways in which to learn. Over the years, most people have gained a great deal of knowledge and experience. Because of a rapidly changing environment, it continues to be necessary, however, to learn new things and to keep up with new developments. One may acquire the required information by reading trade journals, for instance, or attending a conference of relevance to facility management.

Sometimes, however, it is necessary to place greater emphasis on the acquisition of knowledge or skills. In most cases, this requires professional training assistance. There is a great, varied supply on the market, both in terms of practical features and trainees. For instance, one could opt for independent study and take a correspondence or CD-Rom course, or for a course given by a trainer. Another choice is to have "in-company" training just with one's own colleagues, or training with participants from various other companies.

In my opinion, the choice of training, where it is

possible to exchange knowledge and experience, greatly contributes to the attainment of teaching objectives. It is not the acquisition of knowledge in of itself, but specifically the acquisition of the art or the skill to start using this knowledge. This means that it is very good to combine the acquisition of new knowledge and skills with learning in the workplace, for instance through on-the-job training, coaching and counselling, workplace projects and mentoring.

How does a facility manager decide which type of training best matches the training requirements? In order to be able to answer this question, the facility manager has to analyse the training requirements by making competency profiles. What knowledge and skills are required? What is currently lacking? What takes priority when filling in the gaps? Based on the training requirements, a training plan can be developed. This can create insight and lead to better-founded choices in regards to training.

There are three steps to developing a training plan:

- Analyse the training requirements of the facility management department;
- Translate all the training requirements into an action plan;
- Review

Step 1 - analyse the training requirements

In order to be able to draw up a training plan in the first place, a proper analysis is required. This analysis describes the current situation and establishes what is needed in order to meet the goals that have been set.

At organisational levels, the difference between the actual and the desired situation will be described in rather general terms. After that, the analysis may be translated to the level of the individual employee. For example, there will be set joint requirements for service provision, client approach and the ability to cooperate. In addition, each employee requires knowledge and skills specific to his or her job.

The result of this analysis is an overview of the knowledge and skills each individual employee is lacking. This is the basis for the outline of the training requirements in a training plan.

Case study (based on existing situation)

Currently, the core competencies of the facility management department are the following:

- Good performance of the agreed services to be rendered.
- Ability to meet the client's requirements on time.
- Expertise in various areas.
- Solid processes with various points for checking quality.
- Proper budget management

The scenario of this facility management department is that it will become independent and will do more in the area of coordination. This requires:

- A pro-active style.
- Fewer executive tasks, more consulting tasks.

ome coat

ffe-W ai d per m an the do fbor

Set camel

0

CUMMMISCOr"
Tamer qft

0
oci ed al eos*c
Faased an paccdvle
Foamed an serve
Foamed an butt Cardrat

ab te ► m4*Omads
DerbedUaetrsa dtheen*.

S-

Foamed an conlInp out
Foamed al p♦.duetlon
Foamed an sbabgy

Figure 3. Specifically, the aspects of style, skills and shared values may be developed by means of training. In order to meet the targets and objectives of the organisation, structures, systems and strategy will have to be adapted, as well.

4hbfak Fait
cnW"MWWW

----- future
Currat

Foamed an raeulm

Figure 4.

- Good internal and external communication.
- Placing the client in a central position.
- Innovativeness and creativity.
- Initiative.
- Knowledge of the client.
- Responsibility.
- Entrepreneurship.

A more detailed version of this would look like this (chart based on the 7-S model by Feters and Waterman):

The human competencies may be filled in individually. The desired level may deviate from the "average" of the facility management for each job.

Step 2. Translation of the total training requirements into an action plan

Before the total training requirements can be translated into an action plan, the training required at organisation level and for each individual employee must be prioritised. This may be done using the profile of the organisation's and individual's core competencies. The formulation of the training requirements and the translation of them into a concrete action plan is not a simple step, because one has to consider the development needs of the facility management department as a whole and the development needs of the individuals in it.

The next step is to work out the programme in greater detail and to indicate the desired type of learning for each level. Which parts merit on-site training and which will be filled in individually? Learning takes place in various ways. In order to reach as many people as possible, it is necessary to incorporate various types of teaching into the development process. "Vertical" learning, ie, top-down presentation of a programme is not sufficient. Employees are very well able to learn "horizontally", ie, from each other, as well.

The action plan may be split up into a part that meets the strategic need for organisation development and apart from the point of view of the individual employee (within the totality of the organisation). Concretely, this means that a programme is formulated that applies to (a part of) the facility management department, if necessary supplemented by individual training.

In view of the above regarding the history and background of FM employees, it is extremely important that training programmes for FM employees not only focus on knowledge and skills, but specifically also on understanding and motivation, and that these programmes are also inspired by the working methods and other supporting instruments used.

Step 3. Evaluation

Evaluation is the part of the training plan that is often given short shrift. What did a training programme yield? In the first place, the question is, of

course, whether the targets of the training plan have been achieved. Often, this is difficult to immediately assess. Specifically, in learning processes where attitude and behaviour are central, the results will only begin to manifest themselves after some time. In the short term, employees' drive and motivation may reveal the effect of training.

In any case, employees who have attended training courses have to be given the opportunity to demonstrate what they have learned. Specifically, the manager may contribute to this by asking for feedback from course participants. People often return with good ideas, challenging pieces of information and instruments to do things differently. Listen to these things, be open to new possibilities and encourage the exchange of the newly acquired knowledge with colleagues. Concisely put: benefit as an organisation from each course that has been attended.

The learning organisation

Learning organisations consist of individual employees who continue to learn all their lives. This means that learning is a process to which each individual employee makes a contribution and in which each employee has his or her own responsibility. Only by engaging in this process together and by supporting it collectively may changes be given a place and may both organisation and employees adapt to them. Note that this means that both the management and the employees will have to be given a place in the action plan in the short term, but specifically also in the long term. Materially, this does not only concern professional knowledge and skills, but also a process of acquiring a greater awareness, and changing attitudes and behaviour.

The learning process in itself should be the subject of close attention in the entire development process. Teaching people to learn and embedding this in the organisation are essential issues.

Source: Balanced Scorecard and Model Dutch Quality, Ahaus and Diepman (1998)

Figure 5.

For learning organisations, it is necessary that employees convert knowledge (the cognitive aspect) into abilities (skills). This can only be done if employees are aware of the necessity to change and are sufficiently motivated to support each other in this process. People who work in a changing environment often go through a number of phases

Both the employees and the management will have to learn together how to embed this process of change into the organisation. Often, changes in organisations lead to resistance on the part of the employees involved. Accordingly, the management has to learn how to create conditions for a positive motivation, which in itself already may cause things to change. In order to stimulate this process of increased awareness and to give the learning process of employees a "fixed" place within day-to-day work, both the management and employees will have to be involved in the processes of change from the beginning. The processes of change and the concomitant learning processes become the concern of everyone involved: a joint responsibility.

The purpose of involving the employees in this process is so that learning will be seen as something that may be done in various ways. Employees should realise that they themselves are decisive elements in the learning processes, and that they themselves are responsible for the learning (and not only the manager or the training institute). Besides that it is important that employees experience that learning institute. Besides that it is important that employees experience that learning does not only happen at specific times reserved for learning (training courses), but is an essential, ongoing part of daily work.

By critically assessing the development process every year and drafting and implementing a training plan, the "learning organisation" actually acquires content. In this manner, the learning process has clear added value for the organisation and meets the conditions of professionalisation of the facility management department within the dynamic world of changing organisations.

About the author: Agnita D. Korsten MA is managing director of the education division, FMH, the Netherlands

Securities Act (Contributing Mortgage Regulations 1988)

The Professional Practices Committee continues to see situations where members are not meeting the requirements of the Securities Act in their valuations, in regards to contributory mortgage lending regulations.

Members of the committee recently met with the Securities Commission to discuss the situation and have undertaken to provide valuers with more explanation as to the interpretations within the Act:

First schedule - information and other matters to be contained in valuation reports

The opinion of the registered valuer as to the capital value of the land free of encumbrances.

Members are referred to the definition of capital value as set in the Rating Valuation Act 1998.

Capital value of land means, subject to Sections 20 and 21, the sum the owner's, estate or interest in the land, if unencumbered by any mortgage or other charge, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to require.

With regards to the Contributing Mortgage Regulations of 1998 this definition of capital value may need to be further expanded for the benefit of all parties ie, the contributors to the mortgage who in such situations may be several members of the public who have invested their savings in a scheme to provide a mortgage advance.

Accordingly, with respect to any major complex it may be prudent for the valuer to arrive at a capital value by deducting from the total sum an allowance for the cost of sale of the individual units, holding and marketing costs, to arrive at a net realisable value, being the capital value as required

to comply with the Contributing Mortgage Regulations 1998.

If in doubt members may feel it appropriate to record both values so that contributors can be fully conversant with all the factors.

Information and other matters to be contained in valuation reports:

If the land is, or to the knowledge of the registered valuer proposed to be used for the purposes of producing income, a statement by the registered valuer to the amount of income the land can be reasonably expected to produce on an annual basis under conditions prevailing at the time the report was made.

For the benefit of the contributors and possible third parties, valuers should clearly state the gross income and their estimate of net income that the property can reasonably be expected to produce under existing market conditions. Whilst this requirement is not clearly spelt out in the legislation it would be prudent for valuers to produce both a gross and a net income, in order to meet the commission's expectations.

It has come to the attention of the Professional Practices Committee that some members are unclear of the reporting requirements contained within the Securities Act. For this reason the following checklist should be referred to when and if a request is made to report in accordance with these regulations.

From the list below or by reference to the Securities Commissions website ensure the client is a Contributory Mortgage Company. There are 23.

If a report is to comply with the Securities Act obtain a copy of these regulations making special reference to the interpretations and the third schedule. These contain the following requirements:

- a) Name and qualification of registered valuer and statement of his/her independence.
- b) The date at which the report is prepared.
- c) A description of the security's
 - legal description
 - physical dimensions
 - locality
- d) A list of encumbrances registered against the title
If the broker instructs any of these are to be discharged state to that effect
- e) A statement of the latest rating valuation showing the capital value and land value
- f) A statement defining the lands present use and if known, a further statement defining the lands proposed use
- g) A statement showing the valuer's assessment of the land's capital value free of any encumbrances
- h) The nature and value of all improvements upon the land
- i) In the case of a development mortgage:
 - A development mortgage means a charge over land that is being or intended to be, subdivided or improved, or on which buildings or other improvements are being, or intended to be, erected, or altered or developed.
 - The valuer's opinion of the modified land value. This means the land's value after deducting the costs of removing or demolishing any buildings or improvements on the land.
 - A description of the proposed development plus the valuer's assessed capital value upon completion, free of any encumbrances.
 - In the case of a multi-unit development or subdivision this assessment must show the likely gross realisation and net realisation once an allowance has been made for all holding and other costs a developer would incur over the realisation period.
- j) A disclosure by the valuer as to the basis of valuation and any assumptions made.
- k) The valuer must inquire if the security is to be used for the purpose of producing an income. If so, a statement must be produced showing both the reasonable gross and net income. This must reflect conditions prevailing at the time of reporting.
- l) A recommendation for a loan on first mortgage free of any encumbrances.
- m) If the registered valuer has been instructed that other encumbrances will rank in priority to, or *pari passu* (equal) with, the contributory mortgage, a statement to that effect, particulars of those encumbrances, and a statement as to the amount for which the land subject to those encumbrances provides, for would provide, adequate security for a loan on mortgage ranking *pari passu* with, or subject to, them, as the case may be.

- n) A statement by the registered valuer that
 - the valuation has been prepared for use by intending lenders
 - the registered valuer's consent to the distribution of the report to intending lenders and that, as at the date of the report, the registered valuer has not withdrawn that consent.

Independence

In the third schedule to the regulations, the registered valuer who has prepared the valuation report is required to:

1) State his/her name, address (business identity), and give a brief description of qualifications held.

2) Give a statement that the valuation report was made by the registered valuer as an independent registered valuer within the meaning of regulation 5.

By way of explanation, an independent registered valuer is not considered to be independent if:

He/she and any broker, or any mortgagor under the mortgage, are relatives such as a spouse, parent, brother, sister or child;
and/or:

The registered valuer, or any person employed by that registered valuer, is, or has been within the past year, a member or director of the broker or the brokers nominee company, or of the mortgagor, or a member or director of any holding company or subsidiary of those parties, or of any company which is a partner or joint venturer with the broker or mortgagor;

And/or:

There is any other relationship, or interest, between the registered valuer, the broker, the brokers nominee company, and/or the mortgagor, that is likely to influence the judgment of that registered valuer.

Modified land value

The regulations require the registered valuer to state the "modified land value".

This is a somewhat illusionary concept, as there is no guide line as to the state within the development process being valued that this assessment is to be made.

In essence, the concept requires a deduction for the estimated cost of removal, or demolition, of any buildings, or improvements erected on the land. By inference, the deduction for those costs should be made from the land value as assessed in its fully developed status, with resource consents, easements, other rights and other approvals, which have been granted, or created. We recommend that the deduction also includes the estimated costs of any territorial consents, and for disconnection fees for services such as water, electricity, gas, data cabling etc., and are based upon the fully complete status on any buildings or improvements.

List of contributory mortgage brokers registered with the Securities Commission at June 2002

Valuers should be aware that, when requested to report to any one of the following lending sources, they could be expected to compile a valuation and report to comply, in all respects, with The Contributory Mortgage Regulations 1988:

- TORRENS TERRACE BROKERAGE
- PM BROKERAGE
- NATIONAL MORTGAGE BROKERS
- RURAL FINANCE BROKERS
- MORTGAGE INCOME
- EQUINOX BROKERS
- LOMBARD FINANCIAL SERVICES
- FINANCE BROKERS FUNDS MANAGEMENT
- NEW ZEALAND CONTRIBUTORY MORTGAGE BROKERS
- WESTMINSTER NOMINEES

- TRADECAPITAL
- NEW ZEALAND COMMERCIAL MORTGAGE BROKERS
- CONTRIBUTORY MORTGAGE INVESTMENTS
- GENERAL MORTGAGE
- THE MORTGAGE FINANCIER
- CONTRIBUTORY INVESTMENTS
- EAGLE-PACIFIC HOME LOANS
- ST LAURENCE MORTGAGE BROKERS
- CAIRNS LOCKIE INVESTMENTS
- AMG CORPORATION
- FIRST MORTGAGE SECURITIES
- CRICHTON HOME & ASSOCIATES MORTGAGE BROKERS
- LOMBARD MORTGAGE INVESTMENTS

Earl Gordon
Chairman
Professional Practices Committee

TIILBUSth[ESSflEPIfI.PERIY..

- make it yours

YES I WISH TO SUBSCRIBE TO THE PROPERTY BUSINESS MAGAZINE FOR
\$39.60 (6 ISSUES)

NAW

Ann RR

TFIFPHSNF

EAX

VISA

AMEX

DINERS

MASTERCARD

CHEQUE HEREWITH

rARn NA

*ic♦rY 1i- 2 onths Gruf <w., PvW

=;OtiPLF.7 7tl; E F♦♦bi: VO R€T)RNT;
pit tsN gt;♦\$ {p{pI FEH }h. TF§ez:4E)S1 T15, PF,€Vrsr 1
x ♦tSs 048 874r or aMau: agpTr.♦2gm.tte etx

Audit of New Zealand Property Institute CPD points

The Professional Practices Committee of the institute believes it timely to remind members of the mandatory requirement of Continuing Professional Development (CPD), in accordance with the constitution and by-laws of the institute.

The merits of CPD are now well recognised by the majority of our membership in providing systematic maintenance, achievement, broadening of knowledge and skill and development of personal qualities necessary for the execution of professional and technical duties through a practitioners working life.

The Professional Practices Committee in consultation with the Education Committee wish to give notice to members that a process of audit of compliance with CPD, will be introduced in the year 2003.

The details of the audit process have yet to be finalised but it is likely members will be required to respond on the basis of a random audit of the membership in any given year.

The institute is concerned that some members are not complying with their CPD requirements and are therefore in breach of their obligations of continued membership at various levels from associate through to fellow. There is also concern some of you may not have completed your CPD returns correctly, and in the spirit of Continuing Professional Development.

Earl *Gordon*
chairman
Professional Practices Committee

NEW ZEALAND
p *roperty*
INSTITUTE

Membership skills,
Professional and
Personal Development
provides national and
branch educational
events on a regular basis

www.property.org.nz

NEW ZEALAND

p

roperty
INSTITUTE

STATSCOM

Index to Costings

Rural Costings		Shannon July 2002	68
Levin July 2002	67	Rangiora July 2002	68
South & Mid Canterbury April 2001	67	Rangiora - August 2002	68
South & Mid Canterbury April 2002	67	North Shore, Christchurch August 2002	68
Hastings - September 2001	67	Commercial Costings	
Residential Costings		Showroom/warehouse Tauranga	
Ngatea - April 2002	67	August 2002	69
Ngatea April 2002	67	Industrial Costings	
Halswell June 2002	68	Store extension, Napier - July 2001	69

STATSCOM is now available on-line at the Institute website
www.property.org.nz

Enquiries to:
Julia Durrant, PO Box 27-340, Wellington
Ph (04) 384.7094, Fax (04) 384 8473
julia@property.org.nz

Costings

Rural Dustings

Hastings, Artesian Well September 2001

Contributed by John Reid, John Reid and Associates
Construction: 125mm steel case to depth of 38 metres, including 3-metre stainless steel screen, all headworks for irrigation purposes, plus permit costs.
Contract Price: \$9500 (excl. GST)
Notes: Quote also received for 150mm well at \$14,300 and 200mm well at \$17,600

Levin, Koputaroa Road July 2002

Contributed by John Rimmer-Arends, TA Valuation Ltd.
Construction: Concrete floor slab; Coloursteel cladding and roof; timber frame; aluminium windows, doors and ranch sliders.
Areas: Total 112m²
Contract Price: \$23,315 (excl. GST)
Analysis:
Total: 112m²2208/m² Modal Rate: \$800 Multiple: 0.26
Notes: Floor only was 112m² this calculated out to be 55/m² to box and pour. The balance was 153/m²

South & Mid Canterbury Implement Shed, April 2001

Contributed by Roy Evans, Engelbrecht, Evans & Co.
Construction: Lean to shed; one bay enclosed with roller & personal door, front height 4.2m; wooden frame; Coloursteel roof and walls; concrete floor in one bay.
Areas: Total 115.2m²
Net Contract Price: \$15,400 (excl. GST)
Analysis:
Total: 115.2m²133/m² Modal Rate: \$810 Multiple: 0.16
Notes: Pricing excludes power supply. Evans states this is a very competitive price.

South & Mid Canterbury Implement Shed, June 2002

Contributed by Roy Evans, Engelbrecht, Evans & Co.
Construction: Two bays; wooden pole construction; lean to roof; corrugated iron roof and three walls; earth floor. 4.8m front roof height. 9m x 9m.
Areas: Total 81m²
Net Contract Price: \$7614 (excl. GST)
Analysis:
Total: 81m² 94/m² Modal Rate: \$814 Multiple: 0.12
Notes: Contract price breakdown: kitset \$5,445; builder/labour \$1712; site and foundation \$457.

Residential 13 tings

Ngatea April 2002

Contributed by Maria Stables-Page, Jim Glenn Valuers
Construction: Brick veneer exterior cladding, concrete tile hip roof, Gibraltarboard wall and ceiling linings. Two living areas, average quality kitchen, bathroom and ensuite fittings, three bedrooms.
Areas: Total 140.9m²
Contract Price: \$109,480 (excl. GST)
Analysis:
Total: 140.9m² \$777/m² Modal Rate: \$925 Multiple: 0.84
Notes: Price excludes front steps. Golden Home.

Ngatea May 2002

Contributed by Maria Stables-Page, Jim Glenn Valuers
Construction: Brick veneer exterior cladding, concrete tile hip roof, double garage attached. Four bedrooms, average quality kitchen, bathroom and ensuite facilities, two living areas.
Areas: Living 163.18m²
Garage 43.81m²
Total 207m²
Contract Price: \$155,556 (excl. GST)
Analysis:
Total: 207 m²\$751/m² Modal Rate: \$925 Multiple: 0.81
Notes: A Golden Home.

Halswell, Christchurch June 2002

Contributed by Bill Patterson, *Canterbury*

Construction: 2 storey house; 3 bedrooms; bathroom with double vanity, shower, corner bath and toilet; 1 study/bedroom; kitchen with Smeg gas cooking, pantry and open plan living, dining and lounge. Open plan bathroom with separate shower, vanity and separate toilet. Laundry and wine cellar. Concrete foundation; concrete and particle board floor; insulated plasterboard exterior cladding; aluminium joinery; Gibraltarboard interior lining; Coloursteel spouting and roof.

Areas:	Ground	139.12m2
	Top Floor	85m2
	Garage	40.88m2
	Total	265m2

Contract Price: \$211,234 (excl. GST)

A i n a y s s :

Total: 265m2\$797/m2

Shannon, Manawatu July 2002

Contributed by John Timmer-Arends, TA Valuation Ltd.

Construction: Treated timber piles; treated vertical profile plywood sheets (Shadowland); Coloursteel tile roof and fascias; aluminium joinery.

Areas:	Dwelling	109m2
	Garage	80m2
	Carport	39m2
	Deck	43m2

Contract Price:	Dwelling	\$80,000
	Garage	\$18,000
	Carport	\$ 4700
	Deck	\$ 3500

Total: \$106,200 (excl. GST)

Analysis:

Dwelling: 109m2 \$734/m2 Modal Rate: \$800

Multiple: 0.925

Garage: 80m2\$225/m2Modal Rate: \$800 Multiple: 0.281

Carport: 39m2 \$120/m2 Modal Rate: \$800 Multiple: 0.150

Deck: 43m2 \$81/m2 Modal Rate: \$800 Multiple: 0.101

Notes: The carport joins the garage to the drive and is a roofed area only and no support structure is needed. Cost of carport does not include a concrete floor. The dwellings fixtures and fittings are basic. The kitchen is Melteca and only has an oven. There is a no bath, shower, vanity power point only in bathroom. The house is 3 bedrooms.

Rangiora, Canterbury Westland Hip Bungalow, July 2002

Contributed by Denis J Milne, *North Canterbury*

Valuations

Construction: 3 bedroom, single bathroom with attached double garage having internal entry, situated on a flat fully serviced section.

Areas: Total 105.29 m2

Net Contract Price:\$98,548 (excl. GST)

Analysis:

Total: 105.29m2 Modal Rate: \$651.74

Notes: Country build factor 1% of contract price per 10km. The factor from the main centre is 30km and is \$3356. Straight contract with \$4000 allowance for owner painting.

Rangiora, Canterbury Westland Bungalow, August 2002

Contributed by Denis J Milne, *North Canterbury*

Valuations

Construction: 4 bedroom, 2 bathroom hip roofed bungalow with Integral double garage by Golden Homes on a flat site. Construction of concrete floor, BV walls, double-glazed joinery and Monier tile roof.

Areas: Total 147.90 m2

Net Contract Price: \$137,292 (excl. GST)

Analysis:

Total: 147.90m2Modal Rate: \$656.40 Multiple: 0.8820

Notes: Country build factor 1% of contract price per 10km. The factor from the main centre is 30km and is \$4097.

North Shore Christchurch, Canterbury Westland Executive Dwelling, August 2002

Contributed by Denis J Milne, *North Canterbury*

Valuations

Construction: 2 storey executive dwelling with integral double garage, built on a flat site. Concrete floor, Hebel and Linea exterior cladding with Monier tile roof. 4 bedrooms and a study, includes tiling and 3 toilets.

Areas: Total 221.27 m2

Net Contract Price: \$247,191 (excl. GST)

Analysis:

Total: 221.27m2 Modal Rate: \$793.26 Multiple: 0.8003

Notes: Country build factor 1% of contract price per 10km. The factor from the main centre is 6km and is \$1410.

t xtltt ettal G lings

Tauranga, Showroom/Warehouse August 2002

Contributed by Len *Green*, Almao & Green
 Construction: RSJ portal frame (6.0m stud) on concrete slab foundation and floor; 150mm tilt slab boundary wall; warehouse walls = 2.0m tilt slab, fibre cement panel; showroom = expansive coated aluminium frame glazing; ground floor is offices, mezzanine is staff amenities; good caliber accommodation.

Areas:	Warehouse	487m ²
	Showroom/Offices	242m ²
	Mezzanine/Amenities	71m ²
	Air-conditioning	313m ²
	Grounds (Seal/Kerb)	744m ²

Contract Price: \$534,207 (excl. GST) includes fees and A/C

Analysis:

Warehouse: 487m² Modal Rate: \$950 Multiple: 0.4

Showroom/Offices: 242m² Multiple: 1.0

Mezzanine/Amenities: 71m² Multiple: 0.9

Air-conditioning: 313m² Multiple: 0.1

Grounds(Seal/Kerb): 744m² Multiple: 0.4

indwilrial Ct Pings

Napier, Industrial Store Extension July 2001

Contributed by Hugh *Peterson*, Harveys Real Estate
 Construction: Concrete foundation and concrete slab floor, steel framing, prefinished galvanised steel exterior walls to three sides and roof. Full sprinkler protection throughout. Stud is 6 metres at eaves rising to 9 metres at ridge. No facilities.

Areas:	Total	2132.52
Contract Price:	\$740,000 (excl. GST)	

Analysis:

Building: 2132.5m² \$347/m² Modal Rate: \$970

Multiple: 0.36

NEW ZEALAND
p *roperty*
 INSTITUTE

Professional Support
 Offers membership
 with the International
 Facility Management
 Association (IFMA)

www.property.org.nz

Professional Directory

NORTHLAND

BAY OF ISLANDS VALUATION

74 Kerikeri Road, PO Box 825, Kerikeri.
Phone (09) 407 6677
Facsimile (09) 407 6259
Email boiprofs@xtra.co.nz

Dale L Simkin, REG, VAL, ANZIV, SNZPI, FREINZ

COUTTS MILBURN LTD

REGISTERED VALUERS & PROPERTY
CONSULTANTS VALUERS IN NORTHLAND
SINCE 1965

PO Box 223, Whangarei.
Phone (09) 438 5139
Facsimile (09) 438 4655

Bill Burgess, DIP VFM, FNZIV, FNZPI

Anne Mattin DIP VAL, REG VAL, ANZIV, ANZPI

FOR A FULL RANGE VALUATION
SERVICES NORTHLAND WIDE

DTZ NEW ZEALAND MREINZ

(Trading as Property Services Northland)
REGISTERED VALUERS, PROPERTY
CONSULTANTS, PROPERTY & FACILITIES
MANAGEMENT

1 Dent Street, PO Box 1444, Whangarei.
Phone (09) 438 3400
Facsimile (09) 438 0330
Email whangarei@dtz.co.nz

A Wiseman, MNZIPM, SNZPI

D McGee, PROPERTY MANAGER

GARTON & ASSOCIATES NORTHLAND

REGISTERED VALUERS

Whangarei Head Office:

193 Kamo Road, Whau Valley, Whangarei.
PO Box 5031, Whau Valley, Whangarei.
Phone (09) 437 7776
Facsimile (09) 437 7063

Email contact@gartonassociates.co.nz

R H Garton, B AG COM, ANZIV, MZNIPIM, SNZPI

G Thomas, B AG SC, ANZIV, SNZPI

M J Craven MA (CANT), ARICS

Kaitaia Office:

Professional Chambers
117 Commerce Street, Kaitaia.

PO Box 92, Kaitaia.

Phone (09) 408 1724

Kerikeri:

Phone: (09) 407 4570

MOIR VALUATIONS

REGISTERED VALUERS

Kerikeri Office:

PO Box 254, Kerikeri.
Phone (09) 407 8500
Facsimile (09) 407 7366

G H Moir ANZIV, SNZPI, REG VALUER

M K McBain, BCOM (VPM), ANZPI, REG VALUER

TELFERYOUNG (NORTHLAND) LTD

VALUERS PROPERTY ADVISORS

17 Hatea Drive, Whangarei.

PO Box 1093, Whangarei.

Phone (09) 438 9599

Facsimile (09) 438 6662

Email

telfeyoung@northland.telfeyoung.com

A C Nicholls, DIP AG, DIP VFM, FNZIV FNZPI

T S Baker, VPU, FNZIV, FNZPI

G S Algie, DIP URB VAL, FNZIV, FNZPI

M J Nyssen, BCOM VPM (URBAN), ANZIV, SNZPI J B J

Schellekens, BCOM VPM (URBAN), ANZIV, SNZPI D J

Ratray, B APP SC (RURAL), DIP BS (URBAN), DIP BUS

ADMIN (PROPERTY), ANZPI

Nigel Kenny, DIP SURV (C E M), VALUER, ANZPI

AUCKLAND

BARKER AND MORSE
REGISTERED VALUERS

Hibiscus Coast Office:

Level 1, Westpac Plaza, Moana Avenue,
Orewa.
PO Box 15, Orewa.
Phone (09) 427 9903
Facsimile (09) 426 5082

West Auckland:

Phone (09) 836 3010

Auckland:

Phone (09) 520 5320

North Shore Office:

2/43 Omega Street, Albany.
Phone (09) 520 5320
Facsimile (09) 415 2145
Email enquiries@barkermorse.co.nz

Mike Morse, B AG COM, ANZIV, SNZPI

Russell Grey, BCOM (VPM)

Erik Molving, BPA, ANZPI

Mike Forrest, BPA, ANZIV, SNZPI

Michael Nimot, BBS DIP MGMT HEALTH SECTOR,
ANZIV, SNZPI

Peter Restall, ANZIV, SNZPI, AREINZ

Peter Wright, BBS, ANZPI

Penelope Marshall, BBS (VPM)

BARRY RAE TRANSURBAN LTD

CONSULTANTS ON URBAN DEVELOPMENT

Victoria Square, 2/143 Wellesley Street
West, PO Box 90921, Auckland.
Phone (09) 309 2555
Facsimile (09) 309 2557
Mobile 025 275 3330

Email barryrae@transurban.co.nz

Web www.transurban.co.nz

Barry Rae, DIRECTOR, ARCHITECT/PLANNER, B ARCH
(HONS), CERT EKISTICS (ACE GREECE), DIP TP, FNZIA,
FNZIA, MNZPI (PLANNING), MNZPI (PROP)

BAYLEYS PROPERTY ADVISORY

CONSULTANTS, ANALYSTS, REGISTERED
VALUERS & PROPERTY MANAGERS

Maritime Square, 4 Viaduct Harbour
Avenue, Auckland

PO Box 8923, Symonds Street, Auckland
Phone (09) 309 6020

Facsimile (09) 358 3550

Website www.bayleys.co.nz

Email: first_name_first_letter_surname@bayleys.co.nz

Bayleys Valuations Ltd

Allen D Beagley, B Ag Sc, MNZIPIM, ANZIV, AREINZ,
SNZPI

Mark E Harris, BBS, DIP BUS (FIN), ANZIV, SNZPI,
AREINZ, AAPI

Garry D Lopes, BBS, ANZIV, SNZPI

Bayleys Research

Gerald A Rundle, B COM, BPA, ANZIV, SNZPI

Peter J Sluyter MA(HONS), BPA, ANZIV, SNZPI

Cameron Melhuish, B APPL SCI, DIP BUS, ANZPI

Bayleys Property Management Ltd

Tom J Donovan, BBA (USA) FINANCE

Chris R Johanson, B Ag Sc, MNZPI

Peter N Wilson, BA, B PROP, ANZPI

Paul T O'Malley, TRADE CERT (MECH), IQP REG

Bayleys Corporate Real Estate Services

Brett L Whalley, B. PROPADMIN, ANZIV, SNZPI

BARRATT-BOYES, JEFFERIES LIMITED

REGISTERED VALUERS & PROPERTY
CONSULTANTS

The Old Deanery, 17 St Stephens Avenue,
Parnell

PO Box 6193, Wellesley Street, Auckland.

Phone (09) 377 3045

Facsimile (09) 379 7782

Email value@bbj.co.nz

R W Laing, ANZIV, SNZPI, AREINZ

M A Norton, DIP URB VAL (HONS), FNZIV, FNZPI

D N Symes, DIP URB VAL, ANZIV, SNZPI

P Amesbury DIP URB VAL, ANZIV, SNZPI

K P Thomas, DIP VAL, ANZIV, SNZPI

R D Lawton, DIP URB VAL (HONS), ANZIV, SNZPI

R McG Swan, DIP URB VAL, ANZIV, SNZPI

BECA VALUATIONS LTD

139 Vincent Street, Auckland.

PO Box 6665, Wellesley Street, Auckland.

Phone (09) 300 9100

Facsimile (09) 300 9191

General Manager: Alistair Thomson

77-79 Thomdon Quay, Wellington 1

P O Box 3942, Wellington 1

Phone (04) 473 7551

Facsimile (04) 473 7551

Manager: *Peter Steel*

Level 3, PricewaterhouseCoopers Centre

119 Armagh Street

P O Box 13960, Christchurch

Phone (03) 366 3521

Facsimile (03) 366 3188

Manager: Trish Tescos

Property:

Ceri Bain, BPA, ANZPI

Peter Schellekens, B SC, DIP VPM

Trish Tescos, BCOM (VPM) (RURAL & URB), SNZPI

Dean Askew, ANZPI

Malcolm Penny, BCOM (VPM), P G DIP COM, ANZPI

Asset Management:

Peter Steel, BE, BCA, MICE, MIPENZ, C ENG

Ian Martin, BSC, BCA, MIPENZ, MIWEM

Tom Clarke, B SC

Paul Wells-Green, BSC, BE (HONS)(CIVIL), ME, R ENG,

MICE, MIPENZ

Stuart Ritchie, B E (MECH)

Richard Smedley, BE

Marvin Clough, BE (ELEC)

Plant, Machinery & Infrastructure:

Brian Kellet, C ENG, M I MECH E, MIPENZ, FNZPI, R

ENG

Simon Badham, B E (MECH)

John Howell, BE (MECH)

Cliff Morris, QS

CB RICHARD ELLIS LIMITED

VALUERS, INTERNATIONAL PROPERTY
CONSULTANTS & MANAGERS, LICENCED
REAL ESTATE AGENTS

Level 32, Coopers & Lybrand Tower, 23-
29 Albert Street, Auckland.

PO Box 2723, Auckland.

Phone (09) 377 0645

Facsimile (09) 377 0779

Email first_initial_and_surname@cbre.co.nz

M J Steur, DIP VAL, ANZIV, FNZPI

M G Tooman, BBS, ANZIV, SNZPI

A P *Stringer*, BPROP, ANZIV, SNZPI

P T Ryan, BBS, ANZIV, SNZPI

T J Arnott, BCOM (VPM), REG VALUER

S M *Jackson*, BPROP, ANZPI

M D Ogg, BCOM (VPM), REG VALUER

C D Stewart, BPROP

M C *Coster*, BCOM (VPM)

Plant & Machinery:

H Pouw, SNZPI

COLLIERS INTERNATIONAL NEW

ZEALAND LIMITED

VALUERS, LICENSED REAL ESTATE AGENTS
AUCTIONEERS, PROJECT AND PROPERTY
MANAGERS

Level 23,151 Queen Street, Auckland.

PO Box 1631, Auckland.

Phone (09) 358 1888

Facsimile (09) 358 1999

Email Firstname_Surname@clroup.com

Website www.colliers.co.nz

Alan McMahon, FRICS, MNZPI, AREINZ

S Nigel Dean, DIP URB VAL, FNZIV, FNZPI, AREINZ

John W Charters, VP (URB & RURAL), FNZIV, FNZPI,
AREINZ

Samantha Harsveld, BPROP, REG VALUER

Rochelle Carson, BPROP, BCOM

Vihhi *Nettleship*, BSC (HONS)

D E BOWER & ASSOCIATES LTD

REGISTERED VALUERS & PROPERTY
CONSULTANTS

PO Box 25-141, St Heliers, Auckland.

Phone (09) 309 0130

Facsimile (09) 528 8307

David E *Bower* DIP URB VAL, ANZIV, SNZPI, AREINZ,
ANZIM

DAVIES VALUATIONS LTD

REGISTERED VALUERS & PROPERTY
CONSULTANTS

4A, 65 Paul Matthews Road

PO Box 302-730, North Harbour

Auckland 1330

Phone (09) 414 7170

Facsimile (09) 414 7180

Mob (025) 953 183

Email: alan@daviesvaluations.com

Alan Davies, DIP. URB VAL, SNZPI

DARROCH ASSOCIATES LTD

CONSULTANTS & VALUERS IN PROPERTY

Cnr Taharoto Road & Shea Terrace,

Takapuna, Auckland.

PO Box 33-227, Takapuna, Auckland.

Phone (09) 486 1677

Facsimile (09) 486 3246

Email darroch.associates@xtra.co.nz

J D *Darroch*, FNZIV, FNZPI

N K *Darroch*, FNZIV, FNZPI

W W Kerr DIP VFM, FNZIV, FNZPI

A J Batley, DIP URB VAL

J P Williams, VALUER

DTZ NEW ZEALAND LIMITED MREINZ

REGISTERED VALUERS, PROPERTY
CONSULTANTS, REAL ESTATE AGENTS,
PROPERTY & FACILITIES MANAGEMENT

Level 16, Auckland Club Tower, 34
Shortland Street, Auckland.
PO Box 3490, Shortland Street, Auckland.
Phone (09) 309 3040
Facsimile (09) 309 9020

Email auckland@dtz.co.nz

R A Albrecht, DIP URB VAL, DIP TP, SNZPI

T Boyd, BCOM (VPM), DIP FIN, ANZPI

R Clark, BCOM (VPM), ANZPI

B R Clarke, BBS (VPM), DIP FIN, SNZPI

W D Godkin, SNZPI

J Hill, BBS wpm)

R J Impson, BBS (VPM), ANZPI **B**

Johanson, PROPERTY MANAGER *C P*

Johnston, BCOM (VPM)

S Kelly, BBS (VPM), MNZPI

D M King, BPA, MNZPI

D M Koomen, BBS (VPM), SNZPI

S B Molloy, DIP URB VAL, FNZPI

A E Moss, BBS (VPM), ANZPI

L M Parlane, BBS, SNZPI

S Philp, FRICS, MNZPI **E B**

Smithies, FNZPI

Research:

I E Mitchell, MBS (PROP STUDIES), B AG SCI, DIP URB
ADMIN, SPR (NZ), MNZPI

G D Nelson, BCOM, BPROP, GRAD DIP COM

Plant and Equipment:

I W Shaw, SNZPI

P D Todd, BPA, SNZPI, ARICS

D.H. STEWART & CO

CONSULTING SURVEYORS & PLANNERS IN
SUBDIVISION & LAND DEVELOPMENT

67A Waiatarua Road, Remuera
PO Box 87 256, Auckland 5
Phone (09) 524 0072
Facsimile (09) 524 0082
Email david@dhstewart.co.nz

DH *Stewart*, DIP TP, FRICS, FNZIS, MIS (AUST.), MNZPI
(PROPERTY), MNZPI (PLANNING)

DUFFILL WATTS & HANNA LTD

PLANT, MACHINERY & BUILDING VALUERS

384 Manukau Road, Auckland.

PO Box 26 221, Auckland.

Phone (09) 630 4882

Facsimile (09) 630 8144

Managing Director:

NF Falloon, BE, M I MECH E, SNZPI, MIPENZ

DUNLOP STEWART LIMITED

REGISTERED VALUERS AND PROPERTY
ADVISERS

PO Box 37-930 Parnell

Auckland

New Zealand

Phone (09) 580 0221

Facsimile (09) 580 0227

Email: sgd@dunlopstewart.co.nz

Kerry Stewart, VAL PROF URB, P G DIP SC (ENV

AUDIT), MBA, ANZIV, SNZPI

Stephen Dunlop BPROP, MNZPI, REGISTERED VALUER

Iain Parsons BAG (RURAL VAL), DIP BUS, MNZPI,

REGISTERED VALUER

Belinda Hanley BPROP, ANZPI

EDWARD RUSHTON NEW ZEALAND

LIMITED

CONSULTANTS & VALUERS OF PROPERTY,
PLANT & EQUIPMENT

Level 4, 369 Queen Street, Auckland. PO

Box 6600, Wellesley Street, Auckland.

Phone (09) 377 2040

Facsimile (09) 377 2045

D A CulaV, DIP URB VAL, B V (FIJI), ANZIV, SNZPI

E Gill, REG ENG M I MECH E, M I PROD E, SNZPI

M Morales, SNZPI

R Graham, SNZPI

EYLES McGOUGH LIMITED

(Incorporating Blincoe Yarnton & Co)
REGISTERED VALUERS PROPERTY
CONSULTANTS & ANALYSTS

Level 9, 280 Queen Street, Auckland.
PO Box 5000, Auckland.
Phone (09) 379 9591
Facsimile (09) 373 2367
Email eylesmcgough@xtra.co.nz

Russell Eyles, FNZIV, FNZPI
Gerry Hilton, FNZIV, FNZPI
Bruce H Waite, ANZIV, SNZPI
Roger M *Ganley*, ANZIV, SNZPI
Herbert Blincoe, FNZIV, FNZPI, AREINZ
Robert Yarnton, ANZIV, SNZPI
Consultant:
R M McGough, LNZIV LNZPI

HOLLIS & SCHOLEFIELD

REGISTERED VALUERS & PROPERTY
CONSULTANTS

54 Queen Street, Warkworth.
PO Box 165, Warkworth.
Phone (09) 425 8810
Facsimile (09) 425 7732
197 Rodney Street, Wellsford.
PO Box 121, Wellsford.
Phone (09) 423 8847
Facsimile (09) 423 8846

R G Hollis, DIP VFM, FMZSFM, ANZIV, SNZPI
G W H Scholefield, DIP VFM, FNZIV, FNZPI
G B Nicholl, B APPL SC, DIP BUS MKTG

CONES LANG LASALLE LIMITED

VALUATION, CORPORATE REAL ESTATE
SERVICES, RESEARCH & CONSULTANCY

Level 16, PricewaterhouseCoopers Tower,
188 Quay Street, Auckland.
PO Box 165, Auckland.
Phone (09) 366 1666
Facsimile (09) 358 5088

J R Cameron, FRICS, FSVA, ARIEINZ, SNZPI A J
Harris, BSC, BPA, DIP MAN, DIP BUS (FIN), ANZPI L L
Otten, BCOM (VPM), ANZIV, MNZPI
M S Clayey BSC (HONS), DIP SURV, MRICS, MNZPI
M Somerville-Ryan, BPROP K
P Tubberty, BPROP

JON GASKELL VALUERS

REGISTERED VALUERS

5 Marie Avenue, Red Beach.
PO Box 75, Red Beach.
Phone (09) 427 8070
Facsimile (09) 427 8071

Jon Gaskell, DIP URB VAL, DIP VPM, ANZIV, SNZPI

MAHONEY GARDNER CHURTON LTD

REGISTERED VALUERS, PROPERTY
CONSULTANTS & ARBITRATORS

Level 10, 70 Shortland Street, Auckland.
PO Box 894, Auckland.
Phone (09) 373 4990
Facsimile (09) 303 3937
Email mgc@clear.net.nz

A R (*Tony*) Gardner, DIP URB VAL, FNZIV, FNZPI
John A Churton, DIP VAL, ANZIV, SNZPI

Lain W Gribble, DIP URB VAL, DIP BUS STD (DISP RES),
FNZIV, AAMINZ, FNZPI

Matthew Taylor BPA, ANZIV, SNZPI
Scott Keenan, BPROP, ANZPI

MITCHELL KEELING & ASSOCIATES
LTD

REGISTERED VALUERS & PROPERTY
CONSULTANTS

153 Lake Road, Takapuna, Auckland.
PO Box 33676, Takapuna, Auckland.
Phone (09) 445 6212
Facsimile (09) 445 2792
Email mithikee@xtra.co.nz

J B Mitchell, VAL PROF, ANZIV, SNZPI
C M Keeling, BPA, ANZIV, SNZPI

NEIL DEVELOPMENTS LTD

111 Grafton Road, Auckland.
PO Box 6641, Wellesley Street, Auckland.
Phone (09) 309 7838
Facsimile (09) 377 1398
Email kmaddison@neilgroup.co.nz

Keith Maddison

PREMIUM PROPERTY MANAGEMENT

LTD

COMMERCIAL PROPERTY SPECIALISTS,
BODY CORPORATES & MEDICAL CENTRES
Full Service Inc: Maintenance, Compliance, Fire
Regulations, Insurance, landscaping

Level 4, Jonmer Business Centre, 95
Hurstmere Road, Takapuna.
PO Box 33-846, Takapuna.
Phone (09) 444 1333
Facsimile (09) 489 9460
Email david@jonmer.co.nz

PRENDOS LIMITED

REGISTERED VALUERS, BUILDING &
QUANTITY SURVEYORS, ACOUSTIC AND
DISPUTE RESOLUTION CONSULTANTS
34 Barry's Point Road, Takapuna, Auckland.
PO Box 33 700, Takapuna, Auckland.
Phone (09) 486 1973
0800 PRENDOS or 0800 773 636
Facsimile (09) 486 1963
Email prendos@prendos.co.nz
Web www.prendos.co.nz

Directors

Greg O'Sullivan, MNZIBS, FAMINZ (ARB/MED), DIP BUS
STUDIES (DISPUTE RESOLUTION), BRANZ ACCREDITED
ADVISER, REGISTERED BUILDING SURVEYOR, ADVANCED
LEADR PANEL

Trevor Prendergast

Gordon Edginton, B COM, REG VAL, ANZIV, SNZPI
Valuers Associates

Grant Millen, B COM, VPM, REG VAL, MNZPI

Gavin *Broadbent*, BBS, REG VAL

Donovan *Seagar* B PROP VAL

Tony Carlyle, AREINZ

Alan Kroes, DIP PROP VAL, MIVSA, SACV

Building Consultant Associates

Ken McGunnigle, B SC, (HONS), M PHIL (ACOUSTICS),
ACOUSTICIAN, CHARTERED BUILDER, CHARTERED
QUANTITY SURVEYOR, ANZIQS, MNZIOB, BRANZ
ACCREDITED ADVISER, REGISTERED BUILDING
SURVEYOR

Richard Maiden, B SC, MNZIOB, ANZIQS, BUILDING
CONSULTANT, QUANTITY SURVEYOR

Sean O'Sullivan, MNZIBS, BRANZ ACCREDITED
ADVISER, REGISTERED BUILDING SURVEYOR

Mark Williams, BSC (BUILDING SCIENCE)

PROPERTY FOR INDUSTRY LIMITED

(PFI)

INDUSTRIAL PROPERTY INVESTMENT

Level 6, Tower Centre, 45 Queen Street,
PO Box 3984, Auckland.
Phone (09) 302 0217
Facsimile (09) 302 0218
Web www.pfi.co.nz

General Manager:

Peter Alexander

**R A PURDY & CO LTD - REGISTERED
VALUERS & PROPERTY CONSULTANTS**

1 C Olive Road, Penrose, Auckland. PO
Box 87 222, Meadowbank, Auckland.
Phone (09) 525 3043
Facsimile (09) 571 0735
Email valuer@rapurdyco.nz

Richard A Purdy, VAL PRO URB, ANZIV, RVF, SNZPI
Dana A McAuliffe, VAL PROF URB, ANZIV, SNZPI
Anthony P Long, BRA, ANZPI, REG VAL
Rene J McLean, B PROP, MNZPI, REG VAL
Alice Ng, B COM (VPM), ANZPI

**ROBERTS MCKEOWN & ASSOCIATES
LIMITED**

**REGISTERED VALUERS & PROPERTY
CONSULTANTS**

Level 3, 156 Parnell Road, Auckland
P O Box 37544, Parnell, Auckland
Phone (09) 357 6200
Facsimile (09) 358 3030
Email valn@robmck.co.nz

A D Roberts, DIP VAL, ANZIV, SNZPI
K G McKeown, DIP VAL, ANZIV, SNZPI
R j Pheasant, DIP URB VAL, AREINZ, ANZIV, SNZPI

**ROLLE LIMITED - INTERNATIONAL
PROPERTY PLANT & MACHINERY VALUERS
& PROPERTY CONSULTANTS**

Level 3, National Bank Building,
187 Broadway, Newmarket
P O Box 8685, Symonds Street, Auckland
Phone (09) 520 0909
Facsimile (09) 520 6937
Email valuation@akl.rolle.co.nz

M T Sprague, DIP URB VAL, FNZIV, FNZPI
C Cleverley, DIP URB VAL (HONS), ANZIV, SNZPI
W S Cheung, BPROP, ANZPI
D Henty, ANZIV, SNZPI
L j Nelson, BCOM (VPM), ANZPI
B S Ferguson, BCOM (VPM), AREINZ, ANZPI
G Whitehead, ANZPI

Plant & Machinery Valuers:

T j Sandall, SNZPI
R L *Bailey*, NZCE (ELEC), REA, ELECT REGISTRATION,
SNZPI
D M Field, SNZPI

**SOMERVILLES VALUERS LTD
REGISTERED VALUERS & PROPERTY
CONSULTANTS**

Office Park, 218 Lake Road, Northcote.
PO Box 36 030, Auckland 1330. DX
BP65012
Phone (09) 480 2330
Facsimile (09) 480 2331
Email somval@ihug.co.nz

Bruce Somerville, DIP URB VAL, ANZIV, SNZPI, AREINZ
Murray M Pelham, BPA, ANZIV, SNZPI
Arthur Appleton, DIP URB VAL, FNZIV, FNZPI
Stephen Boyd, BPA, DBA, ANZIV, SNZPI
Allen Keung, BPROP, ANZPI

**TELFERYOUNG (AUCKLAND) LTD
VALUERS PROPERTY ADVISORS**

Level 8, 369 Queen Street, Auckland.
PO Box 5533, Auckland. DX CP25010
Phone (09) 379 8956
Facsimile (09) 309 5443
Email
telfeyoung@auckland.telfei.young.com

R Peter Young, BCOM, DIP URB VAL, FNZIV (LIFE),
LNZPI
M Evan Gamby, M PROP STUD (DIST), DIP URB VAL,
FNZIV, FNZPI
Lewis Esplin, DIP URB VAL, ANZIV, SNZPI
Trevor M Walker DIP VAL, ANZIV, SNZPI
Ian D Delbridge, ANZIV, SNZPI
David J Regal, BPA, ANZIV, AAMINZ, SNZPI
Tim E Nicholson, BPROP, ANZPI
Elise K Grange, BBS (vPM), ANZPI
Pamela C Reid, BBS (VPM)

SEAGAR & PARTNERS
PROPERTY CONSULTANTS & REGISTERED
VALUERS

City Office:

Level 9, 17 Albert Street, Auckland.
Phone (09) 309 2116
Facsimile (09) 309 2471
Email _____@seagars.co.nz

Manakau Office:

22 Amersham Way, Manakau City.
PO Box 76 251, Manakau City.
Phone (09) 262 4060
Facsimile (09) 262 4061
Email @seagarmanakau.co.nz

Howick Office:

14 Picton Street, Howick.
PO Box 38 051, Howick.
Phone (09) 535 4540
Facsimile (09) 535 5206
Email @seagarhowick.co.nz

C N Seagar, DIP URB VAL, FNZIV, FNZPI

M A Clark, DIP VAL, FNZIV, FNZPI

A J Gillard, DIP URB VAL, FNZIV, FNZPI

M D Hardie, FNZIV, FNZPI

I R McGowan, BCOM (VPM), ANZIV, SNZPI

W G Priest, B AG COM, ANZIV, SNZPI

I R Colcord, BPROP ADMIN, ANZIV, SNZPI R D

Quinlan, BRA, DIP BUS (FIN), ANZIV, SNZPI S D

MacKisack, SNZPI, ANZIV

A R Buckley, BPR, ANZIV, SNZPI

P D Foote, BPA, ANZIV, SNZPI P S

Beasley, ANZIV, SNZPI

M Brebner BPS, SNZPI

M R Gibson, BBS (VPM), ANZPI

K E Moss, BPROP ANZPI

S E McKinnon, BBS, ANZPI

R G Clark, DIP AG I, II (VFM), ANZIV, SNZPI

M L Crowe, BPROP, ANZPI

C N Brownie, BPROP ANZPI

A J Farrelly, BPROP

SHELDONS

REGISTERED VALUERS & PROPERTY
CONSULTANTS

Royal & Sun Alliance Building, Ground Floor, 12-14
Northcroft Street, Takapuna, Auckland.

PO Box 33 136, Takapuna, Auckland.

Phone (09) 303 4378 - Central

(09) 486 1661 - North Shore

(09) 836 2851 - West Auckland

(09) 276 1593 - South Auckland Facsimile (09)

489 5610

Email valuers@sheldons.co.nz Directors:

A S McEwan, DIP URB VAL, FNZIV, FNZPI

B R Stafford-Bush, BSC, DIP BIA, ANZIV, SNZPI

G W Brunson, DIP VAL, ANZIV, SNZPI

Consultants:

J B Rhodes, ANZIV, SNZPI

B A *Cork*, DIP URB VAL, AREINZ, ANZIV, SNZPI T McCabe, BPA,
ANZIV, SNZPI

L j Pauling, DIP VPM, ANZIV, SNZPI M D McLean, BPROP,

REG. VAL, ANZPI *J Clark*, BPA, ANZIV, SNZPI

P K *Freeborn*, BBS

B J Hanley B PROP VAL

THOMPSON & CO LTD

REGISTERED VALUERS & PROPERTY
CONSULTANTS

Level 1, 1 Elizabeth Street (opposite Courthouse),
Warkworth.

PO Box 99 Warkworth.

Phone (09) 425 7453

Facsimile (09) 425 7502

Mobile (025) 949 211

Simon G Thompson, M PROP STUDIES, DIP URB VAL, ANZIV, SNZPI

SOUTH AUCKLAND

CHOW:HILL ARCHITECTS LTD

ARCHITECTURE, URBAN DESIGN,
INTERIOR DESIGN

Level 1, 131 Kolmar Road, PO Box 23
593, Papatoetoe.
Phone (09) 277 8260
Facsimile (09) 277 8261
Email darryl@chowhill.co.nz

Darryl Carey, B ARCH, ANZIA, MNZPI

GUY STEVENSON & PETHERBRIDGE

REGISTERED VALUERS & PROPERTY
CONSULTANTS

6 Osterley Way, PO Box 76 081, Manukau
City.
Phone (09) 262 2190
Facsimile (09) 262 3830
Email valuers@gsspmkau.co.nz
21 East Street, PO Box 72 452, Papakura.
Phone (09) 299 7406
Facsimile (09) 299 6152
Email valuers@gssppkura.pl.net
2 Wesley Street, PO Box 753, Pukekohe.
Phone (09) 237 1144 Facsimile (09) 237
1112
Email valuers@gssppuke.pl.net

Don Gu y,
Ken Stevenson, DIP VFM, VAL PROF URB, FNZIV, FNZPI
Derald Petherbridge, MNZIS, DIP URB VAL, ANZIV,
SNZPI

Richard Peters, BBS, DIP BUS STUD, ANZIV, SNZPI

Peter Hardy, DIP URB VAL, ANZIV, SNZPI

Sonia Dryden, VAL PROF. URB, ANZIV, SNZPI

MARSH & IRWIN

REGISTERED VALUERS AND PROPERTY
CONSULTANTS

Pukekohe Office:

13B Hall St, PO Box 89, Pukekohe
Phone (09) 238 6276 Facsimile (09) 238
3828
Email marirwin@ps.gen.nz

Papakura Office

181 Great South Rd, Takanini
Phone (09) 298 3368 or (021) 683 363
Facsimile (09) 298 4163

Malcolm Irwin B AG COM, ANZIV, SNZPI

Andrew Hopping B COM (VPM), PG DIP COM

Robin Bennett B AG COM

Zane Alexander B APP SC (RVM)

Jane Wright BBS (VPM)

MAX G ADAMS & ASSOCIATES

REGISTERED VALUERS

7 Tobin Street, Pukekohe.
PO Box 67, Pukekohe.
Phone (09) 238 9668
Facsimile (09) 238 1828

Max G Adams, DIP VFM, ANZIV

PROGRESSIVE ENTERPRISES PROPERTY DEPARTMENT

Level 3, Cogita House, 20 Amersham Way,
Manukau.
Private Bag 93306, Otahuhu.
Phone (09) 526 2021
Facsimile (09) 526 2001
Email Adrian.walker@progressive.co.nz

AM Walker, GENERAL MANAGER PROPERTY

THAMES I COROMANDEL

JIM GLENN

REGISTERED VALUER PROPERTY
CONSULTANT

541 Pollen Street, Thames.
Phone (07) 868 8108
Facsimile (07) 868 8252
Mobile (025) 727 697

J Glenn, B AGR COM, ANZIV, SNZPI
Maria Stables-Page, BBS (VPM)

JORDAN & ASSOCIATES

REGISTERED VALUERS & PROPERTY
CONSULTANTS

516 Pollen Street, Thames.
PO Box 500, Thames.
Phone (07) 868 8963
Facsimile (07) 868 8360

M J Jordan, VAL PROF RURAL, VAL PROF URB, ANZIV
Richard Wellbrock, B APP SC, G DIP B S
Shane Rasmusen, BBS (VPM)

WAIKATO

ASHWORTH LOCKWOOD LTD

REGISTERED VALUERS, PROPERTY & FARM
MANAGEMENT CONSULTANTS

169 London Street, Hamilton.
PO Box 9439, Hamilton.
Phone (07) 838 3248
Facsimile (07) 838 3390
Email ashlock@xtra.co.nz

R J Lockwood, DIP AG, DIP VFM, ANZIV, SNZPI J R
Ross, B AGR COM, ANZIV, MZNIPIM, AAMINZ, SNZPI J L
Sweeney, DIP AG, DIP VFM, ANZIV, SNZPI
L R Robertson, MZNIPIM, ANZIV, ANZPI
I P Sutherland, BBS (VPM), SNZPI

ATTEWELL GERBICH HAVILL LIMITED

REGISTERED VALUERS & PROPERTY
CONSULTANTS

Level 6, WEL Energy House, Cnr Victoria
& London Streets, Hamilton.
PO Box 9247, Hamilton.
Phone (07) 839 3804 or 0800 VALUER
Facsimile (07) 834 0310
Email agh@aghvaluers.co.nz

Glenn Attewell, SNZPI
Wayne Gerbich, SNZPI
Michael Havill, SNZPI
Peter Smith, ANZIV, SNZPI
Mike Paddy, SNZPI
David Urlich, BCOM (VPM), ANZPI

BRIAN HAMILL & ASSOCIATES

REGISTERED VALUERS, PROPERTY
CONSULTANTS

1010 Victoria Street, Hamilton.
PO Box 9020, Hamilton.
DX GB22006 Victoria North
Phone (07) 838 3175
Facsimile (07) 838 2765
Email brian@hamillvaluers.co.nz
Website www.hamillvaluers.co.nz

Brian F Hamill, VAL PROF, ANZIV, AREINZ, AAMINZ,
SNZPI

Kevin F O'Keefe, DIP AG, DIP VFM, ANZIV, SNZPI

CHOW HILL ARCHITECTS LTD

ARCHITECTURE, URBAN DESIGN,
INTERIOR DESIGN

119 Collingwood Street, PO Box 19208,
Hamilton.
Phone (07) 834 0348
Facsimile (07) 834 2156
Email chien@chowhill.co.nz

Chien Chow, B ARCH, ANZIA, MNZPI

**COLLIERS INTERNATIONAL NEW
ZEALAND LIMITED**
VALUERS, LICENSED REAL ESTATE
AGENTS AUCTIONEERS, PROJECT AND
PROPERTY MANAGERS

Cnr Knox & Victoria Streets
PO Box 19 093, Hamilton
Ph (07) 839 2538
Facsimile (07) 838 0636
Email vancew@colliersmidland.com
Website : www.colliers.co.nz

Michael Beattie, BAG COM (VFM), MBA (HONS), SNZPI
Vance Winiata, BCOM (VPM), REG VAL, SNZPI
Michael Beattie, BAG COM (VFM), MBA (HONS), REG
VAL, SNZPI
Mark Jachways, B.AG COM (VFM), SNZPI

CURNOW TIZARD LIMITED
VALUERS MANAGERS ANALYSTS

42 Liverpool Street, Hamilton.
PO Box 795, Hamilton.
Phone (07) 838 3232
Facsimile (07) 839 5978
Email curtiz@wave.co.nz

Geoff Tizard, BAG COM, AAMINZ (ARB), ANZIV SNZPI
Phillip Curnow, FNZIV, FAMINZ (ARB), FNZPI
T David Henshaw, DIP VFM, FNZIV, FNZPI
David Smyth, DIP AG, DIP VFM, FNZIV, FNZPI
Conal Newland, (ANALYST) B APPL SCI, DIP BUS STUD,
DIP BUS ADMIN, ANZPI
Kay Maw
Property Manager: Richard Barnaby
Accredited Suppliers for Land Information
NZ

DARRAGH, HONEYFIELD & REID
REGISTERED VALUERS, PROPERTY
CONSULTANTS
REGISTERED FARM MANAGEMENT
CONSULTANTS

TOLL FREE PHONE 0800 922 122
95 Arawa Street, Matamata.
Phone (07) 888 5014
Facsimile (07) 888 5010 Mobile (025) 736
597
31 Bank Street, Te Awamutu.
Phone(07)8715169
Facsimile (07) 8715162
Mobile (025) 972 670
188 Whitaker Street, Te Aroha.
Phone &
Facsimile (07) 884 8783
15 Empire Street, Cambridge.
Phone (07) 827 5089
Facsimile (07) 827 8934
Cnr Lawrence & Tahoro Streets,
Otorohanga.
Phone (07) 873 8705
Facsimile (07) 871 5162

David Reid, DIP AG, DIP VFM, REG VALUER, ANZIV,
SNZPI
J D Darragh, DIP AG, DIP VFM, REG VALUER, ANZIV
SNZPI
Andrew C Honeyfield, DIP AG, DIP VFM, REG FARM
CONSULTANT, MZNPIM

DTZ NEW ZEALAND LIMITED MREINZ
REGISTERED VALUERS, PROPERTY
CONSULTANTS, REAL ESTATE AGENTS,
PROPERTY & FACILITIES MANAGEMENT

219 Collingwood Street
PO Box 1442
Hamilton
Phone (07) 957 8683
Facsimile (07) 957 3320
Email hamilton@dtz.co.nz

A van der Haulst, BRANCH MANAGER
G Munro, SNZPI
S Bradford, PROPERTY MANAGER

DYMOCK VALUERS & CO LTD

REGISTERED PUBLIC VALUERS

8 Beale Street, Hamilton.
PO Box 4013, Hamilton.
Phone (07) 839 5043
Facsimile (07) 834 3215 Mobile (025) 945
811
Email dymock@wave.co.nz

Wynne F Dymock, DIP AG, ANZIV, SNZPI

FORD PROPERTY GROUP LIMITED

PROPERTY CONSULTANTS & REGISTERED
VALUERS.

113 Collingwood Street, Hamilton.
PO Box 19171, Hamilton.
Phone (07) 834 1259
Facsimile (07) 839 5921
Email admin@fordvaluations.co.nz

Allan *Ford*, FNZIV, FNZPI

Leah *Gore*, BBS (VPM), ANZPI

PAUL BARNETT PROPERTY SERVICES
LTD

PROJECT MANAGEMENT, BUILDING
CONSULTANCY

PO Box 4327, Hamilton East. Phone (07)
856 6745
Email pb.12project.man@xtra.co.nz

PD Barnett, SNZPI, NZPI REG PROPERTY MANAGER &
REG PROPERTY CONSULTANT, CPCNZ, NZBSI, NZCB &
QS, REG COW, IQP, BRANZ ACCREDITED ADVISOR

TELFERYOUNG (WAIKATO) LTD

VALUERS PROPERTY ADVISORS

5 King Street, Hamilton.
PO Box 616, Hamilton.
Phone (07) 846 9030
Facsimile (07) 846 9029
Email
telferyoung@lwaikato.telferyoung.com

Cambridge Office:

Phone (07) 827 8102

Brian J Hilson, FNZIV, FRICS, FNZPI

Doug J Saunders, BCOM (VPM), ANZIV, SNZPI

Roger B Gordon, BBS, ANZIV, SNZPI

KING COUNTRY

DOYLE VALUATIONS LTD

REGISTERED VALUERS & PROPERTY
CONSULTANTS

11 Sheridan Street, PO Box 80, Te Kuiti
Phone (07) 878 8825
Facsimile (07) 878 8068
Hakaia Streets, PO Box 416, Taumarunui
Phone (07) 895 9049
Facsimile (07) 895 5515
Mobile 025 953 308
Email adie.doyle@xtra.co.nz

Adrian P Doyle, BBS (VPM, MKTING), ANZIV, SNZPI

ROTORUAIBAY OF PLENTY

BAY VALUATION LTD

REGISTERED VALUERS AND PROPERTY
CONSULTANTS

30 Willow Street, Tauranga.
PO Box 998, Tauranga.
Phone (07) 578 6456
Facsimile (07) 578 5839
Email bayval@clear.net.nz
80 Main Road, Katikati.
Phone (07) 549 1572

Bruce C Fisher, ANZIV, SNZPI

Derek P Vane, ANZIV, SNZPI

Ray L *Rohloff*, ANZIV, SNZPI

BOYES CAMPBELL & ASSOCIATES

REGISTERED VALUERS (URBAN & RURAL)

Level 1, Phoenix House, Pyne Street,
Whakatane.
PO Box 571, Whakatane.
Phone (07) 308 8919
Facsimile (07) 307 0665
Email boyes.campbell@xtra.co.nz

M J Boyes, DIP URB VAL, ANZIV, SNZPI

D R Campbell, VAL PROF URB & RURAL, ANZIV, SNZPI

K G *James*, DIP VFM, ANZIV, SNZPI

CHOW:HILL ARCHITECTS LTD
ARCHITECTURE, URBAN DESIGN,
INTERIOR DESIGN

Harrington House, Willow Street, PO Box
13493, Tauranga.
Phone (07) 577 1219
Facsimile (07) 577 9548
Email keirin@chowhill.co.nz

Keirin Hood, B ARCH (HONS), ANZIA

**CLEGHORN GILLESPIE JENSEN &
ASSOCIATES**
REGISTERED VALUERS & PROPERTY
CONSULTANTS

Quadrant House, 1277 Haupapa Street,
Rotorua.
PO Box 2081, Rotorua.
Phone (07) 347 6001 or 0800 825 837
Facsimile (07) 347 1796
Email CGJ@xtra.co.nz

W A Cleghorn, FNZIV, MNZIF, FNZPI

G R Gillespie, FNZIV, FNZPI

M J Jensen, ANZIV, SNZPI

M L O'Malley, BCOM (VPM), ANZIV, SNZPI

HILLS WELLER LTD
REGISTERED VALUERS & PROPERTY
CONSULTANTS

40 Wharf Street, Tauranga.
PO Box 2327, Tauranga.
Phone (07) 571 8436
Facsimile (07) 571 0436
Email hillsweller@paradise.net.nz

R J Hills, BAG SC, ANZIV, SNZPI

J R Weller BAG COM, ANZIV, SNZPI

A C Haden, B APPL SCI, ANZIV, MNZPI

McDOWELL & CO
VALUATION & PROPERTY SERVICES

1290 Eruera Street, Rotorua.
PO Box 1111, Rotorua.
Phone (07) 348 4159
Facsimile (07) 347 7071
Email haul@mcdowell.co.nz I G

McDowell, DIP UV, ARIENZ, FNZIV, FNZPI P T

Smith, BBS (VPM), ANZIV, SNZPI

MIDDLETON VALUATION
REGISTERED VALUERS URBAN & RURAL
PROPERTY CONSULTANTS

18 Wharf Street, Tauranga.
PO Box 455, Tauranga.
Phone (07) 578 4675
Facsimile (07) 577 9606
Email value@middletton.co.nz
12 Girven Road, Mount Maunganui.
Phone (07) 575 6386
Facsimile (07) 575 0833 Jellicoe Street, Te
Puke.
Phone (07) 573 8220
Facsimile (07) 573 5617

J Middleton, B AG SC, ANZIV, MNZIAS, SNZPI

A Pratt, ANZIV, SNZPI

P D Higson, BCOM (VPM)

**PAUL BARNETT PROPERTY SERVICES
LTD**

PROJECT MANAGEMENT, BUILDING
CONSULTANCY

PO Box 13179, Tauranga.
Phone (07) 544 2057
Email nb.project.man@xtra.co.nz

PD Barnett, SNZPI, NZPI REG PROPERTY MANAGER &
REG PROPERTY CONSULTANT, CPCNZ, NZBSI, NZCB &
QS, REG COW, IQP, BRANZ ACCREDITED ADVISOR

PROPERTY SOLUTIONS
REGISTERED VALUERS, MANAGERS,
PROPERTY ADVISORS

87 First Avenue, Tauranga.
PO Box 14014, Tauranga.
Phone (07) 578 3749
Facsimile (07) 571 8342
Email info@4propertysolutions.co.nz
4/52 Girven Road, Mt Maunganui.

Simon F Harris, B AG COM, ANZIV, SNZPI

Phil Pennycuick, BCOM (VPM), ANZIV, SNZPI

Harley D Balsom, BBS (VPM), ANZIV, SNZPI

Chris R Harrison, DIP URB VAL, ANZIV, SNZPI

Craig King, BPA, ANZIV, SNZPI

Garth Laing, BCOM (VPM), ANZIV, SNZPI

REID & REYNOLDS LTD

REGISTERED VALUERS

1231 Haupapa Street, Rotorua.
PO Box 2121, Rotorua. DXJP30037
Phone (07) 348 1059
Facsimile (07) 347 7769 Tokoroa Office:
(07) 886 6698
Email: valuer@randr.co.nz
Website: www.valuersrotorua.co.nz

Hugh Reynolds, FNZIV, FNZPI
Grant Utteridge, FNZIV FNZPI
Sharon Hall, ANZIV, SNZPI
Kendall Russ, BCOM (VPM)

TAUPO

DON W TRUSS & ASSOCIATES

REGISTERED VALUERS & PROPERTY
CONSULTANTS

Level 1, Le Rew Building, 2-8 Heu Heu
Street, Taupo.
PO Box 1123, Taupo.
Phone (07) 377 3300
Facsimile (07) 377 2020 Mobile (027)
4928 361
Email dontruss@xtra.co.nz

Donald William Truss, DIP URB VAL, ANZIV, SNZPI

VEITCH MORISON VALUERS LTD

REGISTERED VALUER & ENGINEERS

29 Heu Heu Street, Taupo.
PO Box 957, Taupo.
Phone (07) 377 2900 or (07) 378 5533
Facsimile (07) 377 0080
Email vmvl@xtra.co.nz

C B Morison, B E (CIVIL), MIPENZ, ANZIV, SNZPI
James Sinclair Deitch, DIP VFM, VAL PROF URB, FNZIV,
FNZPI
Patrick Joseph Hayes, BBS (VAL), REG VALUER, ANZPI
Geoffrey Wayne Banfield, B AGR SCI, ANZIV, SNZPI

SISBOHNE

VALUATION & PROPERTY SERVICES

BLACK, KELLY & TIETJEN REGISTERED
VALUERS & PROPERTY CONSULTANTS

258 Childers Road, Gisborne.
PO Box 1090, Gisborne.
Phone (06) 868 8596
Facsimile (06) 868 8592

Graeme Black, DIP AG, DIP VFM, ANZIV SNZPI
Roger Kelly, VP (URB), ANZIV, SNZPI
Graham Tietjen, DIP AG DIP VFM, ANZIV, SNZPI

LEWIS WRIGHT LTD

REGISTERED VALUERS, PROPERTY
CONSULTANTS AND FARM SUPERVISORS.

139 Cobden Street, Gisborne.
PO Box 2038, Gisborne.
Phone (06) 867 9339

Facsimile (06) 867 9339
Tim Lewis, B AG SC, MZNIPIIM
Peter Wright, DIP VFM, ANZIV, SNZPI
Gordon Kelso, DIP VFM, FNZIV, FNZPI
Trevor Lupton, B HORT SC, MNZSHS, C PAG
John Bowen, B AG, DIP AG SCI (VAL), ANZPI
Peter McKenzie, DIP VFM, ANZIV, ANZPI

HAWKESBAY

HARVEY COXON LTD

VALUATION SERVICES

200 Warren Street North, Hastings.
PO Box 232, Hastings.
Phone (06) 878 6184
Facsimile (06) 873 0154
Email HarveyCoxon@xtra.co.nz

Jim Harvey, FNZIV
Terry Coxon, ANZIV, SNZPI
Paul Harvey, BBS
Karen O'Shea, BBS, ANZIV, SNZPI
Hugh Peterson, ANZIV, SNZPI
Alex Sellar BBS, ANZIV, SNZPI
Bill Hawkins, DIP VFM, FNZIV, FNZPI

DTZ NEW ZEALAND (TRADING AS
TURLEY & CO LTD)

REGISTERED PROPERTY CONSULTANTS,
VALUERS, LINZ ACCREDITED SUPLIER

DTZ House, 100 Raffles Street, Napier
P O Box 1045, Napier
Phone (06) 834 0012
Facsimile (06) 835 0036
Email strategies@dtz.co.nz

Pat Turley, BBS (VPM), REG PROP, AREINZ, ANZIV,
SNZPI, CONSULTANT & VALUER (PRINCIPAL)

Michael Lawson, B AGR, DIP VAL & PROP MGT, REG
VALUER, SNZPI

Wayne Smith, LINZ ACCREDITED, MNZPI

Mel Douglas, BBS (VPM), ANZPI, VALUER

Melanie Whyte, PROP TECHNICIAN

LOGAN STONE LTD

REGISTERED VALUERS & PROPERTY
SPECIALISTS

209 Queen Street East, Hastings.
PO Box 914, Hastings.
Phone (06) 876 6401
Facsimile (06) 876 3543
Email loganstone@xtra.co.nz

Gerard J Logan, B AGR COM, ANZIV, MZNIPI, SNZPI

Roger M Stone, FNZIV, FNZPI

Frank E Spencer, BBS (VPM), ANZIV, SNZPI, AREINZ

Boyd A Gross, B AGR (VAL), DIP BUS STD, ANZIV

MORICE & ASSOCIATES LTD

REGISTERED VALUERS & CONSULTANTS

116 Vautier Street, Napier.
PO Box 320, Napier.
Phone (06) 835 3682
Facsimile (06) 835 7415 Email
property@morice.co.nz Web
wwwmorice.co.nz

Stuart D Morice, DIP VFM, FNZIV, MNZIF, FNZPI

Greg S Morice, BCOM AG (VFM), ANZIV, SNZPI

Erin L Morice, BCOM AG (VPM), SNZPI

Mark H Morice, BCOM AG (VFM), DIP FORE, ANZPI

TELFERYOUNG (HAWKES BAY) LTD

VALUERS PROPERTY ADVISORS

1 Milton Road, Napier.
PO Box 572, Napier.
Phone (06) 835 6179
Facsimile (06) 835 6178
Email
telferyoung@hawkesbay.telferyoung.com

M C Plested, FNZIV, FNZPI

M I Penrose, V P U, DIP VPM, AAMINZ, ANZIV, SNZPI

T W Kitchin, BCOM (AG), ANZIV, SNZPI, MNZIPIM

(REG)

D J Devane, BCOM (VPM), ANZIV, SNZPI

F E Jurgen, BBS (VPM), ANZPI

RAWCLIFFE & CO - REGISTERED

VALUERS AND PROPERTY ADVISORS

70 Station Street, Napier.
PO Box 140, Napier.
Phone (06) 834 0105
Facsimile (06) 834 0106
Email email@rawcliffe.co.nz

Terry Rawcliffe, FNZIV

Grant Aplin, BCOM (VPM), ANZPI

SNOW & WILKINS LTD

REGISTERED VALUERS & PROPERTY

EXPERTS

204 Queen Street East, Hastings.
PO Box 1200, Hastings.
Phone (06) 878 9142
Facsimile (06) 878 9129
Email valuer@snowwilkins.co.nz

Kevin Wilkins, BPROP (VFM), DIP AG, ANZIV, SNZPI

Dan j Jones, BBS DIP BUS ADMIN, ANZIV, SNZPI, REG
PUBLIC VALUER

Tim Wilkins, B AG, DIP BUS STD, ANZPI

Derek Snow, DIP VFM, ANZIV (CONSULTANT)

Wairoa Office:

Phone/Fax: (06) 838 3322

Email wairoa@snowwilkins.co.nz

VALUATION PLUS

REGISTERED VALUER & PROPERTY
CONSULTANT

38 Simia Avenue, Havelock North.

Phone (06) 877 1515

Facsimile (06) 877 1516

Web www.valuationplus.co.nz

Ton Remmerswaal, BBS, ANZIV, ANZPI

TARANAKI

STAPLES RODWAY

78 Miranda Street, Stratford.

PO Box 82, Stratford.

Phone (06) 765 6019

Facsimile (06) 765 8342

Email stfd@staplestaranaki.co.nz

R Gordon, DIP AG, DIP VFM, ANZIV, AREINZ, MNZFM,
FAMINZ

HUTCHINS & DICK LIMITED

PROPERTY SPECIALISTS AND VALUERS

59 Vivian Street, New Plymouth

P O Box 321, New Plymouth

Phone (06) 757 5080

Facsimile (06) 757 8420

Email info@hutchinsdick.co.nz

Also offices at:

121 Princes Street, Hawera.

Broadway, Stratford.

Frank L Hutchins, DIP URB VAL, SNZPI A

Maxwell Dick, DIP FM, DIP AGR, SNZPI

Tim Penwarden, BBS (VPM)

Craig Morresey, B APPL SC

Athol M Cheyne, R M BOINZ

TELFERYOUNG (TARANAKI) LIMITED

VALUERS PROPERTY ADVISORS

143 Powderham Street, New Plymouth.

PO Box 713, New Plymouth.

Phone (06) 757 5753

Facsimile (06) 758 9602

Public Trust Office:

High Street, Hawera.

Phone (06) 21784051

Email

telferyoung@taranaki.telferyoung.com

J P Larmer, DIP VFM, DIP AGR, FNZIV, FNZPI MZNIPIIM,
FAMINZ

I D Baker ANZIV, SNZPI

M A Myers, BBS (VPM), ANZIV

R M Malthus, DIP VFM, DIP AGR, V P URB, ANZIV,

SNZPI

D N Harrop, BBS, ANZIV, MZNIPIIM, SNZPI

WANGANUI

BYCROFT PETHERICK LTD

REGISTERED VALUERS & ENGINEERS,

ARBITRATORS & PROPERTY

MANAGEMENT CONSULTANTS

86 Victoria Avenue, Wanganui.

Phone (06) 345 3959

Facsimile (06) 345 9295

Waikanae Office:

26 Major Durie Place.

Phone (04) 293 2304

Facsimile (04) 293 4308

Email bvpeth@clear.net.nz

Laurie B Petherick, B E, ANZIV, SNZPI

Derek J Gadsby, BBS, ANZIV

Robert S Spooner, BBS, ANZIV, SNZPI

GOUDIE & ASSOCIATES

REGISTERED VALUERS, PROPERTY

CONSULTANTS

20 Bell Street, PO Box 156, Wanganui.

Phone (06) 345 7815

Facsimile (06) 347 9665

Email russgoudie@xtra.co.nz

Russ Goudie, DIP VFM, AGRIC, SNZPI

PALMERSTON NORTH

BLACKMORE & ASSOCIATES LTD

PROPERTY VALUERS - CONSULTANTS -
MANAGERS

Level 1, Cnr 617 Main Street & Victoria
Avenue, Palmerston North.

PO Box 259, Palmerston North. DX
PP80055

Phone (06) 357 2700

Facsimile (06) 357 1799

Email [\[name\]@blackmores.co.nz](mailto:[name]@blackmores.co.nz)

G j Blackmore, FNZIV

H G Thompson, ANZIV, AREINZ, SNZPI

B D Mainwaring, ANZIV, AVLE

B D *Lavender* BCOM (VPM), ANZIV, AREINZ, SNZPI P

j Loveridge, B AG COM, ANZIV, SNZPI

HOBSON WHITE VALUATIONS LTD

REGISTERED VALUERS, PROPERTY
MANAGER, ARBITRATORS

Level 1, Unit 7, Northcote Office Park, 94
Grey Street, Palmerston North.

Phone (06) 356 1242

Facsimile (06) 3561386

Brian E White, FNZIV FAMINZ, FNZPI

Neil H Hobson, ANZIV, MZNIPI, SNZPI

Martin A Firth, B AGR (VAL), ANZIV

DTZ NEW ZEALAND LIMITED MREINZ
(TRADING AS HSK REALTY LIMITED
MREINZ)

REGISTERED VALUERS, PROPERTY
CONSULTANTS, REAL ESTATE AGENTS,
PROPERTY & FACILITIES MANAGEMENT,
HOTEL/MOTEL CONSULTANTS

115 Princes Street, PO Box 1441,
Palmerston North

Phone (06) 357 3243

Facsimile (06) 356 5560

Email palmertson.north@dtz.co.nz

S Bird, B AGR, ANZIV

C *Hawkey*, BCOM AG, DIP BUS ADMIN, ANZIV

D Doyle, PROPERTY MANAGER

D *Whitburn*, PROPERTY MANAGER

S Shi, BBS (VPM), BE

M McCutchan, M AGR SC, ANZIV

G Scott, RURAL MANAGER

K Herbert, HOTEL/MOTEL CONSULTANT

B Kendrick, COMMERCIAL/INDUSTRIAL

K Kelliher COMMERCIAL/INDUSTRIAL

B Sampson, VPM, ANZIV, SMNZPI, MNZPIM

D Nichols, COMMERCIAL/INDUSTRIAL

A Nichols, VALUATION & CONSULTANCY

R Black, DIPAG, LIFESTYLE & RURAL CONSULTANT

LINCOLN G CHARLES & ASSOCIATES

PROPERTY VALUATION, RESEARCH &
CONSULTANCY, PROPERTY MANAGEMENT
& DEVELOPMENT, REAL ESTAE SERVICES

178 Broadway Avenue, PO Box 1594,
Palmerston North.

Phone (06) 354 8443

Facsimile (06) 356 5332

Email: linclongcharles@inspire.net.nz

Lincoln *Charles*, BBS, ANZIV SNZPI

MORGANS PROPERTY ADVISORS

REGISTERED VALUERS, PROPERTY ANALYSTS & MANAGERS

Level 1, State Insurance Building, 67-71 Rangitikei Street, Palmerston North.
PO Box 281, Palmerston North.
Phone 0800 VALUER or (06) 358 0447
Facsimile (06) 350 3718
Email morganval.pn@clear.net.nz

Paul van Velthooven, BA, BCOM, SNZPI
mob 021 360 257

Andrew Walshaw, DIP AG, DIP F MGT, DIP VFM, SNZPI
mob 021 224 0210

Jason Humphrey, B AG (VAL), NZPI
mob 025 977 323

FIELDING

MORGANS PROPERTY ADVISORS

REGISTERED VALUERS, AGRICULTURAL CONSULTANCY SERVICES

NZ Post Building, PO Box 315, Feilding.
Phone 0800 VALUER or (06) 323 1455
Facsimile (06) 323 1447
Email morganval.fldg@clear.net.nz

Ian Shipman, B AG SC, NZPIIM, SNZPI
mob 025 933 486

David Roxburgh, SNZPI
mob 025 536 111

WAIRARAPA

WAIRARAPA PROPERTY CONSULTANTS

LTD

REGISTERED VALUERS & REGISTERED FARM MANAGEMENT CONSULTANTS

28 Perry Street, Masterton.
PO Box 586, Masterton.
Phone (06) 378 6672
Facsimile (06) 378 8050
Email wpc@xtra.co.nz

D B Todd, DIP VFM, FNZIV, MZNIPIIM

P J Guscott, DIP VFM, ANZIV

M Clinton-Baker DIP VFM, ANZIV, ANZPI T

D White, BCOM (VPM), ANZPI

T M Pearce, BBS, ANZIV, AREINZ

WELLINGTON

CB RICHARD ELLIS LIMITED

INTERNATIONAL PROPERTY CONSULTANTS & REGISTERED VALUERS

Level 12, ASB Tower, 2 Hunter Street, Wellington.
PO Box 5053, Wellington.
Phone (04) 499 8899

Agency

Facsimile (04) 499 8889

Valuation

Facsimile (04) 474 9829

William D Bunt, SNZPI

Paul Butchers, BBS, SNZPI

Philip W Senior, SNZPI

Jon Parker, BBS, SNZPI

Sarah Hawkins, BBS, SNZPI

John Stanley, DIP VPM, FNZPI

Plant & Machinery Valuers:

John Freeman, SNZPI, TECH. RICS, MA COST E

Research:

Megan Bibby, SNZPI

COLLIERS INTERNATIONAL NEW

ZEALAND LIMITED

VALUERS, LICENSED REAL ESTATE AGENTS AUCTIONEERS, PROJECT AND PROPERTY MANAGERS

Level 11, 86-98 Victoria St, Wellington

PO Box 11 488, Wellington

Phone (04) 473 4413

Facsimile (04) 470 3902

Email: Firstname.Surname@cjrgroup.com

Website: www.colliers.co.nz

G P L Daly, FNZIV, FNZI JOINT MANAGING DIRECTOR

M A Horsley, VAL PROF (URB), ANZIV, SNZPI JOINT MANAGING DIRECTOR

Amelia Findlay, BBS (VPM)

DAVID SIMPSON VALUATIONS LIMITED
VALUATION & PROPERTY CONSULTANCY
100 Brougham Street, Wellington.
P O Box 9006, Wellington.
Phone (04) 384 5769
Facsimile (04) 382 9399
David M Simpson, VAL PROF (URBAN), ANZI, SNZPI

DTZ NEW ZEALAND LIMITED MREINZ
REGISTERED VALUERS, PROPERTY
CONSULTANTS, REAL ESTATE AGENTS,
PROPERTY & FACILITIES MANAGEMENT
PO Box 1545, BNZ Centre, Level 10,
1 Willis Street, Wellington
Phone (04) 472 3529
Facsimile (04) 472 0713
Email wellington@dtz.co.nz

M J Bevin, BPA, SNZPI, AREINZ
D Chisnall, BBS (VPM), ANZPI
DM *Beecroft*, BBS (VPM), ANZPI
R F Fowler, FNZPI
C W *Nyberg*, VAL PROF (URB), FNZPI, AREINZ A G
Stewart, BCOM, DIP URB VAL, FNZPI, A CI ARB T M
Truebridge, B AGR (VAL), SNZPI
A P Washington, BCOM (VPM) SNZPI
N E Smith, BSC, MRICS, SNZPI
S A Bayne, BBS, (HONS), VPM, DIP BUS STUD (BUS
LAW)
P Kerslake, MBA, MBS (PROPERTY), MNZPI, MNZIM
N Bray, SENIOR PROPERTY MANAGER
P James, SENIOR PROPERTY MANAGER
G Duckworth, BBS (VPM)
R Burnard, BBS (VPM), DBA (FIN), ANZPI
J Hart, BCOM (VPM)
R Procter BBS (VPM), ANZPI
R Miller, BBS (VPM), ANZPI
C Shields, BBS (VPM), ANZPI
A Morris, BBS (VPM), ANZPI
C Raumati, BCOM (VPM), ANZPI
C Patete, BBS (VPM), MNZIP

Research:

I E Mitchell, MBS (PROP STUD), B AG SCI, DIP URB
ADMIN, SPR(NZ), MNZPI
M Burroughs, BBS (VPM)

Plant & Equipment:

E A Forbes, DIP QS, SNZPI

G T FOSTER & ASSOCIATES
REGISTERED PUBLIC VALUERS &
PROPERTY CONSULTANTS

PO Box 57-085, Mana, Wellington.
Phone (04) 237 0053
Facsimile (04) 237 0054
Mobile (025) 846 548

Graeme Foster FNZIV AREINZ

JONES LANG LASALLE LIMITED
VALUATION, CORPORATE REAL ESTATE
SERVICES, RESEARCH & CONSULTANCY
Level 14, ASB Bank Tower, 2 Hunter
Street, Wellington.
PO Box 10-343, Wellington.
Phone (04) 499 1666
Facsimile (04) 473 3300
Email tim.lamont@ap.joneslanglasalle.com

T F Lamont, BBS (VPM) ANZIV, SNZPI, AREINZ

LINDSAY WEBB VALUATIONS LTD
HUTT VALLEY SPECIALISTS
131 Queens Drive, Lower Hutt
Phone (04) 569 2095
Facsimile (04) 569 9280
Email: lindsay.webb@paradise.net.nz

Alan Webb, SNZPI

Bill Lindsay, SNZPI

NATHAN STOKES GILLANDERS
REGISTERED VALUERS, ARBITRATORS &
PROPERTY CONSULTANTS
1st Floor, The Bakehouse, 6 Swan Lane, Te
Aro
P O Box 6524, Te Aro
Phone (04) 384 1316
Facsimile (04) 384 1315
Email steve@capitalvaluer.co.nz
Website www.capitalvaluer.co.nz

Stephen M Stokes, ANZIV

Malcolm S Gillanders, BCOM, ANZIV, FNZPI

Frits Stigter, ANZIV, FNZPI

Branch Offices at:

60 Queens Drive, Lower Hutt
P O Box 30260, Lower Hutt
Phone (04) 570 0704
Facsimile (04) 566 5384
12 Waiheke Street, Kapiti
Phone (04) 297 2927
Mobile 021 431 854

ROLLE LIMITED
INTERNATIONAL PROPERTY AND PLANTS
& MACHINERY VALUERS AND PROPERTY
CONSULTANTS

Level 7, 256 Lambton Quay, Wellington
PO Box 384, Wellington
Phone (04) 914 2800
Facsimile (04) 914 2829
Email rolle@wlg.rolle.co.nz

W H Doherty, ANZIV, AREINZ, SNZPI

C Orchard, FNZIV, FNZPI

Jason C Lochead, BBS (VPM), ANZIV, SNZPI

V L E McCarty, BBS (VPM)

N J Fenwick, BBS (VPM), ANZPI

P Kavanagh, BSc, AREINZ

Plant and Machinery Valuers:

A J Pratt, SNZPI

D Smith, FNZPI, MSA

R L Slater, MNZPI

M Taylor, BCOM (VPM)

Kapiti Office:

Unit 1, 180 Kapiti Road, Paraparaumu.

Phone (04) 902 7655

Facsimile (04) 902 7666

C J Dentice, BCA, DIP URB VAL, ANZIVE, SNZPI

F Grant, BBS (VPM), SNZPI

J Cottle, BPROP

TELFERYOUNG (WELLINGTON) LTD
VALUERS PROPERTY ADVISORS

85 The Terrace, Wellington.

PO Box 2871, Wellington.

DX SP 23523.

Phone (04) 472 3683

Facsimile (04) 478 1635

Email

Lelfei.young@wellington.telfeyoung.com

C J Barnsley, BCOM (VPM), ANZIV, SNZPI

A J Brady MBA, FNZIV, FNZPI

A L McAlister, LNZIV, LNZPI

M J Veale, BCOM (VPM), ANZIV, SNZPI

G Kirkcaldie, FNZIV, FNZPI

J H A McKeefry BBS (VPM), DIP BUS (FIN), MNZPI

P C Tomlinson, DIP AG (LINC.), DIP VFM, URBAN VAL
(PROF.)

THE PROPERTY GROUP LIMITED
NATIONWIDE CORPORATE PROPERTY
ADVISORS & NEGOTIATORS SPECIALISING
IN PUBLIC LAND & INFRASTRUCTURAL
ASSETS, 11 OFFICES NATIONWIDE

Level 8, The Todd Building, Cnr Brandon
St & Lambton Quay, PO Box 2874,
Wellington.

Phone (04) 470 6105

Facsimile (04) 470 6101

Contact: Peter Sampson, Operations
Director

Phone (06) 834 1232

Facsimile (06) 834 4213

TILLER SELLARS & CO LTD
REAL ESTATE CONSULTANTS &
INDEPENDENT VALUERS

Level 17, Morrison Kent House, 105 The
Terrace, Wellington.

PO Box 10 473, The Terrace, Wellington.

Phone (04) 471 1666

Facsimile (04) 472 2666

Email [kevin](mailto:kevin@wick-tiller.co.nz) or [warwick](mailto:warwick@wick-tiller.co.nz) or

mike@wick-tiller.co.nz

Kevin M Allan, FNZIV, FNZPI

Warwick J Tiller, ANZIV, SNZPI

Michael Sellars, FNZIV, FNZPI

TSE WALL ARLIDGE LIMITED
REGISTERED VALUERS & PROPERTY
CONSULTANTS

9 Taranaki Street, Wellington. PO

Box 9447, Te Aro, Wellington.

Phone (04) 385 0096

Facsimile (04) 384 5065

Richard S Arlidge, ANZIV, SNZPI

Ken Tonks, ANZIV, SNZPI

Dale S Wall, ANZIV, SNZPI

Jeremy Simpson, BBS, ANZPI

Tim Stokes, BBS

Michael Atkins, I ENG, DIP QA, REG P & M VALUER,
ANZIM, SNZPI

NELSON/MARLBOROUGH

ALEXANDER HAYWARD LTD
REGISTERED VALUERS, PROPERTY
INVESTMENT DEVELOPMENT &
MANAGEMENT CONSULTANTS

Level 1, Richmond House, 8 Queen Street,
Blenheim.

PO Box 768, Blenheim.

Phone (03) 578 9776

Facsimile (03) 578 2806

A C (Lex) Hayward, DIP VFM, ANZIV, SNZPI, AAMINZ

David J Stark, B AG COM, ANZIV, SNZPI

J F Sampson, ANZIV, SNZPI

Bridget Steele, BBS, ANZIV, SNZPI

DUKE & COOKE LTD
VALUATION AND PROPERTY SPECIALISTS
FARM MANAGEMENT CONSULTANTS

42 Halifax Street, Nelson.

Phone (03) 548 9104

Facsimile (03) 546 8668

Email admin@ValuersNelson.co.nz

Peter M Noonan, FNZIV, FNZPI

Murray W Lauchlan, ANZIV, AREINZ, SNZPI

Dick Bennison, B AG COM, DIP AG, ANZIV, SNZPI,

MZNIPIM

Barry A Rowe, BCOM (VPM), ANZIV, SNZPI

Kim D Bowie, B AG COM, ANZIV, SNZPI

Plant and Machinery Valuer:

Frederick W Gear SNZPI

Motueka Office:

29 Wallace Street, Motueka.

Phone (03) 528 6123

Facsimile (03) 528 8762

TELFERYOUNG (NELSON) LTD
VALUERS PROPERTY ADVISORS

52 Halifax Street, Nelson.

PO Box 621, Nelson.

Phone (03) 546 9600

Facsimile (03) 546 9186

Email valuer@nelson.telferyoung.com

Tony Gowans, V P (URBAN), FNZIV, FNZPI

Ian McKeage, BCOM (VPM), ANZIV, SNZPI

Rod Baxendine, DIP AG, DIP FM, DIP VPM, ANZIV,
SNZPI

Kevin O'Neil, BCOM (VPM)

HADLEY AND LYALL LTD
REGISTERED VALUERS & PROPERTY
CONSULTANTS URBAN & RURAL
PROPERTY ADVISORS

Appraisal House, 28 George Street,
Blenheim.

PO Box 65, Blenheim.

Phone (03) 578 0474

Facsimile (03) 578 2599

J H Curry DIP AG, DIP VFM, VPU, ANZIV, SNZPI F
W Oxenham, VPU, ANZIV, SNZPI

CANTEHFJURV/ ETSLAND

BENNETT ROLLE LTD
REGISTERED VALUERS, PROPERTY
CONSULTANTS

118 Victoria Street, Christchurch.

PO Box 356, Christchurch.

Phone (03) 365 4866

Facsimile (03) 365 4867

P JOHN GILCHRIST

194 High Street, PO Box 184, Rangiora.

Phone (03) 313 8022

Facsimile (03) 313 8080

Email ctre@xtra.co.nz

P John Gilchrist, VFM, ANZIV, SNZPI, AREINZ, REG
VALUER (PRINCIPAL COATES TURNBULL REAL ESTATE
LTD)

MANNINGS CANTERBURY VALUATIONS
REGISTERED PUBLIC VALUER AND
PROPERTY CONSULTANT

67 Worchester Boulevard, Christchurch.

5 Good Street, Rangiora.

PO Box 989, Christchurch.

Phone (025) 240 7808 or

(03) 313 1045 a/h

Facsimile (03) 313 3702 or (03) 313 1046

Email david.manning@xtra.co.nz

David L Manning, DIP VFM, ANZIV, SNZPI, VAL PROF
URBAN, MNZIIM, MPMI (REG)

CB RICHARD ELLIS LIMITED
VALUERS, INTERNATIONAL PROPERTY
CONSULTANTS & MANAGERS, LICENCED
REAL ESTATE AGENTS

Level 10, Price Waterhouse Centre, 119
Armagh Street, Christchurch.

PO Box 13 643, Christchurch.

Phone (03) 374 9889

Facsimile (03) 374 9884

R W Gibbons, DIP VAL, ANZIV D

J Barrett, BCOM (VPM)

NJ Butler BCOM (MRM) (HONS), PG, DIP COM, SNZPI

COAST VALUATIONS LTD
REGISTERED VALUERS & PROPERTY
CONSULTANTS

100 Tainui Street, Greymouth.

PO Box 238, Greymouth.

Phone (03) 768 0397

Facsimile (03) 768 7397

Email coastval@xtra.co.nz

Brian J Blackman, DIP URB VAL, ANZIV, SNZPI

Peter J Hines, BCOM (VPM), ANZIV, SNZPI

Associates:

Wit Alexander, DIP VFM, ANZIV

Rod Thornton, BCOM (VPM)

DTZ NEW ZEALAND LIMITED MREINZ
REGISTERED VALUERS, PROPERTY
CONSULTANTS, REAL ESTATE AGENTS,
PROPERTY & FACILITIES MANAGEMENT

Level 4, 76 Cashel Street, PO Box 142,
Christchurch

Phone (03) 379 9787 Fax (03) 379 8440

Email: christchurch@dtz.co.nz

C C Barraclough, BCOM, FNZPI

L O Collings, BBSM SNZPI, AREINZ

M Ellis, SNZPI, MNZIPM (REG), MNZPI J

Webb, BCOM (VPM)

Research:

I E Mitchell, MBS (PROP STUD), B AG SCI, DIP URB
ADMIN, SPR(NZ), MNZPI

Plant & Equipment:

B J Roberts, SNZPI

FORD BAKER VALUATION LTD

REGISTERED VALUERS & PROPERTY
CONSULTANTS

424 Moorhouse Avenue, Christchurch.
PO Box 43, Christchurch.
Phone (03) 379 7830
Facsimile (03) 366 6520
Email fordbaker@fordbaker.co.nz
Web www.fordbaker.co.nz

Errol Saunders, FNZPI

John Radovonich, SNZPI

Richard Chapman, SNZPI

Simon Newberry, SNZPI

Terry Naylor, SNZPI

Richard Western, SNZPI

Plant and Equipment:

Richard Chapman, SNZPI

FRIGHT AUBREY LIMITED

REGISTERED VALUERS & PROPERTY
CONSULTANTS

764 Colombo Street, Christchurch.
PO Box 966, Christchurch.
Phone (03) 379 1438
Facsimile (03) 379 1489
Email 1st name + 1st letter of surname
@fright-aubrey.co.nz

Raymond H Fright, FNZIV, FNZPI

Graeme B Jarvis, ANZIV, SNZPI

Gary R Sellars, FNZIV, FNZPI

David W Harris, ANZIV, SNZPI

WO (Bill) Harrington, FNZIV, FNZPI, MZNPIM

Plant & Machinery Valuer:

Michael J Austin, IPENZ, REA (P & M)

PLANT & MACHINERY VALUERS

REGISTERED PLANT AND MACHINERY
VALUERS CHATTEL VALUERS

PO Box 5573, Papanui, Christchurch.
Phone (03) 354 5200
Facsimile (03) 354 5100
Email info@plantvaluers.co.nz
Web www.plantvaluers.co.nz

Kees Ouwehand, ING (MAR ENG), SNZPI

TELFER YOUNG (CANTERBURY) LTD

VALUERS PROPERTY ADVISORS

Level 4, Anthony Harper Building
47 Cathedral Square, Christchurch.
PO Box 2532, Christchurch.
Phone (03) 379 7960
Facsimile (03) 379 4325
Email
telfeiyoung@canterbuiv.telfeiyoung.com

Ian R Telfer, FNZIV, AREINZ, FNZPI

Roger A Johnston, ANZIV

Chris N Stanley, M PROP STUD (DISTN) ANZIV, SNZPI,
AAMINZ

John A Ryan, ANZIV, AAPI, SNZPI

Mark A Beatson, BCOM (VPM), ANZIV, SNZPI

Mark Dunbar BCOM (VPM), ANZIV, AREINZ, SNZPI

John C Tappenden, ANZIV, SNZPI

Victoria Sprenger BCOM (vPM), SNZPI

SOUTH & MID CANTERBURY

DTZ NEW ZEALAND LIMITED MREINZ

LAND RESOURCE MANAGEMENT

1st Floor, Public Trust Building, Corner
Church & Sophia Streets
PO Box 564, Timaru
Phone (03) 684 8340
Facsimile (03) 688 0407
Email timaru@dtz.co.nz

R Ward Smith, DIP AG, DIP VRM, REG VAL

REID & WILSON REGISTERED VALUERS

167-169 Stafford Street, Timaru.
PO Box 38, Timaru.
Phone (03) 688 4084
Facsimile (03) 684 3592

R B Wilson, ANZIV, FREINZ
S W G Binnie, ANZIV, SNZPI

OTAGO

DTZ NEW ZEALAND LIMITED MREINZ
REGISTERED VALUERS, PROPERTY
CONSULTANTS, REAL ESTATE AGENTS,
PROPERTY & FACILITIES MANAGEMENT

284 Cumberland Street, PO Box 5744,
Dunedin
Phone (03) 474 0571
Facsimile (03) 477 5162
Email dunedin@dtz.co.nz

J Dunckley, VAL PROF (URB), B AGR COM, FNZPI B
Sharp, REG VAL, SNZPI
S Cairns, BCOM (VPM), DIP GRAD (OTAGO), SNZPI,
AREINZ
A Holley, PROPERTY MANAGER
D Winfield, BCOM (VPM)

DTZ NEW ZEALAND LIMITED MREINZ
LAND RESOUCNE MANAGEMENT

43 Tarbert Street, PO Box 27, Alexandra
Phone (03) 448 6395
Facsimile (03) 448 9099
Email alexandra@dtz.co.nz

B Taylor, VPR, SNZPI
K Taylor, MSC RES MGT, B AGR, SNZPI, FNZIPIM
P Murray BCOM (AG), VFM, M APPL SC, SNZPI

Research:

I E Mitchell, MBS (PROP STUD), B AG SCI, DIP URB
ADMIN, SPR(NZ), MNZPI

Plant & Equipment:

B J Roberts, SNZPI

MACPHERSON VALUATION LIMITED

REGISTERED VALUERS (URBAN AND
RURAL), AND PROPERTY CONSULTANTS

National Mutual Building, Level 5,10
George Street, Dunedin.
PO Box 497, Dunedin.
Phone (03) 477 5796
Facsimile (03) 477 2512
Email macval@mvl.co.nz

Directors:

John Fletcher FNZIV, AREINZ, FNZPI
Jeff Orchiston, ANZIV, MNZIAS, DIP (VFM) SNZPI
Tim Dick, BCOM (VPM), ANZIV, SNZPI
Darren Bezett, BCOM (VPM), ANZPI

CENTRAL OTAGO

CENTRAL PROPERTY
REGISTERED VALUERS

1st Floor, Helard House
P O Box 362, WANAKA
Phone (03) 443 1433
Facsimile (03) 443 8931
Email Central.Property@xtra.co.nz

Iain Weir, PG DIPCOM (VPM), AAPI, ANZIV, SNZPI
Wade Briscoe, FNZIV, FNZPI

LOCATIONS VALUATION QUEENSTOWN
LIMITED

REGISTERED PUBLIC VALUERS AND
PROPERTY CONSULTANTS

Level 3, O'Connells Pavilion, Camp Street,
Queenstown.
PO Box 717, Queenstown.
Phone (03) 442 9079
Facsimile (03) 442 5179

Malcolm F Moore, DIP AG, DIP VFM, V P URBAN,
ANZIV, MNZIPIM (REG), SNZPI

MACPHERSON VALUATION
QUEENSTOWN LTD
REGISTERED VALUERS AND PROPERTY
CONSULTANTS

Level 1, 3 Duke Street, Queenstown.
PO Box 416, Queenstown.
Phone (03) 442 5858
Facsimile (03) 442 6358
Email macval@macproperty.com
Website www.macproperty.com

Alistair W Wood, BCOM (VPM), SNZPI

John Fletcher, FNZI, AREINZ, FNZPI

A Douglas Reid, BCOM (VPM), SNZPI

Rory J O'Donnell, BCOM (VPM), ANZPI

Leigh Mather BCOM (VPM)

Investment Consultant:

Kelvin R Collins, BCOM (VPM) AREINZ, SNZPI

Property Managers:

Janyne Harman, BCOM (VPM)

Joanne Conroy

MOORE AND ASSOCIATES
REGISTERED VALUERS & PRIMARY
INDUSTRY MANAGEMENT CONSULTANTS

16 Brandon Street, Alexandra.

PO Box 247, Alexandra.

Phone (03) 448 7763

Facsimile (03) 448 9531

Email mfmoore@xtra.co.nz

Queenstown Office:

PO Box 717, Queenstown

Phone (03) 442 9079

Facsimile. (03) 442 5179

Malcom F Moore, DIP AG, DIP VFM, V P URBAN,
ANZIV, MZNPIM (REG), SNZPI

DAVE FEA
INDEPENDENT REGISTERED VALUER AND
PROPERTY ADVISOR

O'Connells Centre, Queenstown.

PO Box 583, Queenstown.

Phone (03) 442 9758

Facsimile (03) 442 9714

PO Box 104, Wanaka.

Phone (03) 443 7461

Email dave@queenstown.co.nz

Dave B Fea, BCOM (AG), ANZIV, SNZPI

ADVERTISE YOUR PRACTICE IN THE NZPI PROPERTY JOURNAL

Produced by

professional publishing for professionals